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# West Europe Report

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WEST EUROPE REPORT

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## CONTROVERSY, DISSATISFACTION AT PCF PRESS

## Problems at LA MARSEILLAISE

Paris LE MONDE in French 22 Nov 86 p 9

[Article by Olivier Biffaud: "Rumor at LA MARSEILLAISE: Jean-Noel Is Leaving"]

[Text] Is part of the communist press going through an identity crisis? At a time when the PCF leadership is officially preaching "union and rallying round," two communist publications are seeing some of their newsmen condemn a normalizing thrust on the part of organs. Officials deny it. Whatever the case, at LA MARSEILLAISE and the weekly REVOLUTION, the wind of insurrection is very real, albeit in different forms.

The New York bristles with a rumor: Jean-Noel is leaving. Located opposite the Old Port, the establishment is one of the meeting places of all of Marseille. Officials of OGC Nice have just had lunch there when their team meets the 11 Tapie-Hidalgo team members in Marseille, deputies to the successor of Gaston Defferre in the Mayor's Office drop in for a chat at cocktail time and economic officials talk business there, accompanied by good wine and fat cigars. From time to time, Jean-Noel appears. The editor of LA MARSEILLAISE, Jean-Noel Tassez, by himself symbolizes the crisis hitting the communist regional daily. "He is going to leave," says one New York regular. Tassez himself remains silent.

Taken over by the force of arms by communist resistance fighters when Marseille was liberated, the premises of LE PETIT MARSEILLAIS, later LA MARSEILLAISE, are the scene of an insurrection of the staff against PCF leaders, particularly Roland Leroy, "boss" of the entire communist press. Young reporters want to make "a real newspaper, not a propaganda rag." They do not question the "communist thrust" of LA MARSEILLAISE, but they want to have free rein to turn out "a commercial product" that will sell.

Leroy, who does not appear to see things in that fashion, is accused by these journalists of trying "to bring their daily into line." At any rate, he is the first to have led people to believe this by publishing in the 2 October edition of L'HUMANITE, of which he is the publisher, the text of his speech before the Central Committee meeting on 29 and 30 September. His remarks left few doubts about his intentions.

It all began on 14 April 1985. On that day, Tassez and his staff brought out the new format LA MARSEILLAISE on which they had worked for several months, with the support of Guy Hermier, member of the Political Bureau and chairman of the newspaper's supervisory council. It followed the tabloid format, with modern graphics, headline news pages up front followed by two pages of different stories every day, in the style of LIBERATION with class content, as one could tell the party.

Leroy, Yves Mourousi, a personal friend of Tassez, and the Marseille "Gotha" were in on the party. "That night, Leroy discovered the newspaper and started screaming," one LA MARSEILLAISE worker confides. Whatever the case, the new format was well-accepted. The content would quickly turn out to be another story.

#### Reagan and Gorbachev

"The grace period lasted 10 days," one person reports. "For the first three months, the newspaper was well received," says another. "They threw the old newspaper into the garbage; they couldn't wait," adds a third.

Last summer, the problems emerged. Officials wanted to straighten things out. Naturally, the newspaper had won readers and newsmen had received "outside professional recognition," but the format is expensive and, like all the political press, the communist press has major financial difficulties. It is willingly admitted in Marseille that the printers have stuck it out because they put out LA VIE MUTUALISTE, organ of the Federation of Mutual Insurance Companies of France (FMF, formerly the FNMT) of Louis Calisti, who not long ago toyed with the idea of having his paper printed elsewhere.

At the same time, there is rising discontent among the federal organs of some of the six departments where LA MARSEILLAISE is disseminated (Bouches-du-Rhone, Herault, Gard, Vaucluse, Alpes-de-Haute-Provence and Var). "The federal bureaus have begun to get around the newspaper," one journalist says. Written protests, whether spontaneous or planted, reach the staff.

"They are turning out a product that does not correspond to the party's protesters, the only thing it has left," claims one journalist in explaining the wave of discontent. It is true that the front-page headlines are often unorthodox and that the PCF is almost treated like one more group on the political horizon, without any special privileges. In November 1985, in a slip that the staff came to regret, LA MARSEILLAISE dismissed both Reagan and Gorbachev, drawing down the wrath of Gaston Plissonnier, dean of the PCF Political Bureau, who sent a letter of protest to the disrespectful newsmen.

The sales that initially increased -- there is no figure on the official circulation -- are gradually settling down, there are fewer pages, contracts for a specific period of time are not renewed and enthusiasm is flagging.

During a management meeting in June 1986, Leroy took note of the results of the new format and observed "a few political shifts." The tone changed before

the Central Committee on 30 September: "We believe," the publisher of L'HUMANITE said, "that the only way to consolidate the influence of our newspapers is to rely on the party, be the bearers of its policies." It was over with; the project of Tassez and his "young wolves" had lasted long enough. Curing the abcess would take but a few weeks. The first "treatment" took place in Martigues on 25 October.

Federal officials from the six departments of circulation meet in a municipal assembly room. On the platform are Roland Leroy, Guy Hermier, Jean-Noel Tassez and Paul Biaggini, publisher of LA MARSEILLAISE. The general tone amounted to asking the editor for an explanation. One federal official from Var, Roland Martinez, would go as far as to say that "LA MARSEILLAISE has become more harmful than useful to the party." The remark, another participant in the meeting now says, was "the symbol of archaism."

#### Broken Spring

Archaism or not, the spring now seems to have been broken in part of the staff. "They have a short-sighted, utilitarian conception of their press," complains one newsman -- out of excessive spite -- already looking elsewhere. "We could have lived an adventure, but it did not work," adds another. These newsmen, most of whom signed a motion rejecting any cut in means, while demanding an increase and the continued existence of the newspaper "of communist opinion as decided upon by the management committee," refuse to have the "renewal" label stuck on them.

"The problem is not whether it is a 'renewal' or not," some of them say. Shifting the question to the political domain, one communist official from the department says that Leroy's wish is to be in a position of strength vis-a-vis another regional daily of the PCF, L'ECHO DU CENTRE of Marcel Rigout, and to work to see -- Leroy has always denied this -- that in the long run, L'HUMANITE will be the only communist daily, with regional pages here and there.

When invited by the RMC on 9 November, Leroy said that no one "will be fired or driven out by the newspaper management." Indeed, it will probably not be necessary to go that far, because the last phase of the crisis has a good chance of coming about more easily, gently, not making any waves. It will not be necessary to fire anyone because "Jean-Noel is going to leave."

#### Streiff, Staff Differences

Paris LE MONDE in French 22 Nov 86 p 9

[Article by O. B.]

[Text] An unusual situation has just emerged within the staff of the communist weekly REVOLUTION: the demand, presented by a number of newsmen, to be fired for "a substantial modification of the labor contract." This information is contradicted by management, which emphasizes that there is no question of dismissing anyone, while adding that "some have expressed their desire to leave the newspaper" to engage in other activities.

This resurgence of the crisis affecting the organ headed by Guy Hermier, member of the PCF Political Bureau (LE MONDE, 23 October), has its roots in a staff meeting on 12 November. In the presence of Jean-Paul Jouary, editor-in-chief, Gerard Streiff, assistant editor, and all REVOLUTION employees, Hermier spoke at length and indicated that the weekly was "not at the level of the Central Committee meeting on intellectuals" held in June. Asserting that "circulation is stagnating," he stressed that REVOLUTION must regain "its normal operation." This reference was to the current malaise among staff members, which, some say, has lasted since the September arrival of Streiff, formerly the L'HUMANITE correspondent in Moscow.

Deeming that it was no longer possible to work "in a calm atmosphere," Streiff is accused of "going over the heads of department chiefs," of "censoring" or "mutilating" articles without explanation to the authors, of ignoring certain contributors or, more simply, of being but "the tool" of a normalizing action -- some newsmen have reportedly demanded that management assume "its responsibilities" by firing them to drain the abcess.

At least four of them: Dominique Vidal, head of the foreign desk, Bernard Umbrecht, a reporter for the same department, Emile Breton, coordinator of the staff and head of the cultural section, and Eric Venturini, society editor, have reportedly asked to enjoy the benefit of the provisions of the profession's collective contract. According to one participant in the meeting, Streiff has allegedly not responded to the many challenges addressed to him and Hermier is said to wish to see "individually" those expressing their personal demands.

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CSO: 3419/34

## PCF PAMPHLETS REVEAL INTERNAL IDENTITY PROBLEM

Paris ROUGE in French 27 Nov-3 Dec 86 p 11

[Article by Jean Lantier: "Faltering Orthodoxy"]

[Text] Four pamphlets of the PCF bear witness to the enormous problems now encountered by the PCF: "Capitalism or Socialism: The Stakes of Our Time"; "The Class Struggle Today"; "Our Policy, Hope, Fight for the Future"; and "The PCF: Identity, Originality and Principles of Operation." These four titles rouse much debate.

At the whim of the four elementary school treatises, a few basic phrases are sprinkled throughout the crumbling history of the successive retreats of the party. For example, the student will rapidly understand, through the first book, that "for a long time, we conceived of socialism based on a 'model,' on abstract principles that one had but to apply to national circumstances. We have abandoned such a conception." What model? Socialism as it exists in the East, but nothing says as much.

An attentive reader of texts submitted for study will also find that "naturally, in the 1950's and 1960's, we got behind in responding to the requirements for a change in society that had developed, which led us to become stymied in ill-suited forms of union that concealed our identity and were harmful to our people." Behind? On the analysis of a society in which, during those years, the PCF was largely the leading leftist party? Behind? Do they mean behind with the interpretation of the bloody repression of the Hungarian councils by the Kremlin? Or the refusal to grant any credit whatsoever to the existence of the Khrushchev report denouncing some of Stalin's crimes in 1956? The text remains.

But the fourth pamphlet continues: "For a long time, we opposed the question of socialism in terms of a long-term objective for which French society was not ripe." The model objective actually consisted of basing on French reality the idea and practice introduced by the Russian Revolution, to wit, "the takeover of state power." The PCF is therefore giving up this last prospect in abandoning the concept of a "way out" that would come "from one great evening when everything would change all at once." Consequently, there is no question for the PCF of adopting a solution that would be "coercion." On the contrary, it preaches "an anticapitalist mass movement, expressed in struggle and by universal suffrage."

## Which Socialism?

One question is posed at this stage? What political way out is recommended by the PCF? The crisis, it says, comes about with the "thousands and thousands of decisions made every day" by capitalism. Therefore, "every struggle making it possible to provide a positive solution to the problems posed by the crisis brings into question the interests and objectives of an archaic system that sacrifices the development of men to profit." The definition of the anticapitalist struggle is derived from this: "Pitted against the multiplicity of capitalist decisions, engendering and worsening the crisis, can and must be the multiplicity of interventions, workers' struggles to impose other solutions that necessarily have an anticapitalist content." It adds: "These immediate responses are therefore prospects for a future rich in possibilities for society."

Such is the path leading to socialism defined in a purely demanding, trade union fashion, made up of industrial counterproposals. Gone is the one great night, gone the model of the Russian Revolution, leaving the approach of the tiny steps toward French-type socialism. In the first phase, one has the new majority people's rally, made up of men and women who, in fighting in every enterprise, participate without knowing it in the formation of this new approach that does not dissociate "consideration of the people's immediate needs (...), the development of action (...) and the persuasive effort to clarify the causes of the crisis."

## Right-Left Impasse

And what about the strategy at the top? The PCF deems that it will no longer be challenged to distinguish what was "for 25 years" a "right-left confrontation" justifying a "union at the top" leading to "the weakening of the PCF." "In such a context," in which the policies of the right and those of the PS are identical, "continuing to reason in terms of right and left would be to lead our people to an impasse." Therefore, it continues, "these anti-crisis struggles (...) could rally the people beyond preestablished splits." "Based on points of agreement facing the struggle against the crisis, it is definitely a matter of broadening these points of agreement and of rallying them around a political proposal capable of bringing the country out of the crisis." What proposal? It is summed up in the basic pamphlets. It manifestly depends on "measures that will bring about a retreat of positions, privileges, capitalistic ways of thought and action in management, the government and all of social life." The union of parties remains in reserve. "We remain supporters of the union of leftist parties (...); we remain a government party ready to take its place in the conduct of the country's affairs."

## Identity of PCF

On the whole, the identity of the PCF first of all appears to be a negative one. The four pamphlets endeavor to put bourgeoisie and social democracy on the same level. "The right and management, with the aid of the Socialist Government, want to break the working class. There are more and more points

of agreement between the right and the PS.... The right, the PS and management now say that we must sacrifice jobs in order to modernize (...), but experience is the proof. This policy was applied for years, first of all by the right; now by the PS." At the same time, they gloss over the quite recent government experience of the four communist ministers. Consequently, everything is based on the fragile edifice of the awareness of the betrayal of others, of the "false left."

What then remains to positively define the party's identity? A new negative comparison. There is a fabulous anticommunist campaign in France. And, a propos, "the scope and nature of anticommunism emphasize, in contrast, everything that makes the identity of the PCF." The PCF does exist and represents a terrible danger because it is the target of all attacks. Its identity does not have to be demonstrated; one has but to take the opposite of all the slander heaped on it.

That truth is outlined against the background: "The socialist countries are the living demonstration that the problems facing all mankind can be solved.... That is why we follow with a great deal of attention the reflections and experiences of the Soviet Union and the other socialist countries."

The pamphlets illustrate perfectly the underlying causes of problems encountered by the party. How then can one fail to understand that it is outside of the official discourse of this fragile, wobbly orthodoxy that many members are seeking a way out of the impasse.

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CSO: 3519/34

## PAPANDREOU SEEN HAVING LOST ABILITY TO GOVERN

Athens I KATHIMERINI in Greek 21-22 Dec 86 pp 1, 14

[Article by Nik. Nikolaou: "The Premier Isolated"]

[Excerpts] Given the fact that the government is no longer in a position to effectively govern, while the major opposition does not seem to be in a hurry to succeed it, it is natural for the country's political situation to become more and more confused as all possible ways out of the crisis are being shut down one after another. Indicatively, the debate on the budget, which by tradition constitutes the loftiest moment of the parliament, was lost in the piles of garbage [the result of the garbage collectors' strike].

Independent observers attribute this state machinery disorganization and paralysis now threatening the country's political life to the following factors:

First, to A. Papandreou's fatigue which entails an overall decline in his prowess as a leader. Let us not fool ourselves. Within PASOK there was but only one pole of authority: Andreas. And trust in the invincible leader was the connecting link within the party mosaic. The loss of the municipal elections broke the magnifying glass which reflected the leader's omnipotence, while the uproar and debilitation caused by scandals [in the government]--which would still be continuing if ND had not come up with the prudent proposal to have an investigating committee appointed--gave the signal for the unrelenting war among the factions [within PASOK].

Government officials bitterly admitted that the old Andreas, the man with initiative, the man who charted the political life and, above all, the leader who reacted harshly to any contestation of his authority, exists no more. Now he appears weak, is swayed by developments and only settles differences with those who undermine him within the party!

He knows, for example, what Gennimatas is plotting but he does not dare send him where he once sent Laliotis! It is well known among his collaborators that now he simply wants to gain time and postpone as much as he can the fateful clash with ND, knowing the battle is lost in advance.

Second, to the infighting among PASOK's factions. The gap left by Andreas is being filled by the opposing groups which follow a completely different

policy. This explains the inconsistencies, retractions, retreats, and gaps in implementation of official policy. This infighting is more evident in the economic area, but also in confrontation of strike mobilizations when each group recommends its own tactics while the premier, lacking sufficient information, intervenes--always with some delay, of course--in order to reconcile the differences.

Indeed, if one deeply analyzes what is happening recently to the economy and especially to government policy, one will discover deep differences in words and deeds, behind which hides a cruel struggle among government officials. Except for A. Papandreu and K. Simitis, and perhaps two to three other government cadres who appear to believe in the stabilization policy, the rest of the government officials not only reject but also undermine it systematically and constantly.

As the meetings of the Parliamentary Group and the Central Committee have shown, PASOK remains a party of top- and middle-level cadres who believe in the 3rd of September principles. Therefore, it is impossible for this party to implement a liberal policy in the administration of the economy or to impose on consumption the restrictions circumstances demand.

It is not accidental that all criticism in the Central Committee meeting against the government's economic policy came "from the Left." Nor is it accidental that in the [strike] mobilizations PASOK syndicalist cadres are at the forefront.

Very correctly the ND chairman warned in the Chamber of Deputies that the economic problem is essentially a political problem and added that even if PASOK tried to implement ND's economic policy again, PASOK would fail for the simple reason that, since it does not believe in it, it would never implement it correctly. The government clock has stopped and is unable to follow the new needs of the economy.

The differences in words and deeds are also proved daily by entrepreneurs who, while leaving Simitis' office with some positive promises, face relentless opposition from middle- and lower-level cadres of the state machinery or even counter actions on the part of other appropriate ministers when they attempt to implement such promises.

Andreas G. papandreu may have repeated in the Chamber of Deputies during the debate on the budget that "we are not enemies of the private sector," but PASOK's ruling class delegated the statement to the morgue of expectations.

A few days ago when [Deputy Minister of Industry] Vaso Papandreu [no relationship] took the truly difficult decision to turn over some of the ailing industries to private enterprises, certain party stalwarts, who in a short period of time have become a privileged class with fat wages, commissions, Mercedes, etc., invaded her office literally with "pistols" and demanded they all remain in the Organization for Restoration of Enterprises.

During the dictatorship a joke was making the rounds which said that some day we would be freed from the colonels, but it is uncertain how we can disentangle ourselves from the women who from one day to the next become ladies of the aristocracy. Paraphrased, the same joke can be applied today to PASOK's ruling class. Hidden behind the tax-loaded budget, which was denounced in the Chamber of Deputies, are the guardians of this ruling class which literally wants to destroy free entrepreneurial activity.

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CSO: 3521/47

## FORMER FINANCE MINISTER FORMS NEW POLITICAL PARTY

Athens I KATHIMERINI in Greek 30 Nov 86 pp 1, 3

[Text] Yesterday's announcement on the formation of a new party by former Minister of National Economy Ger. Arsenis is an event whose range can be accurately determined only with the passing of time.

The new party will be officially established next February and as Arsenis said yesterday at a closed gathering of 200 cadres--mostly persons who withdrew or were expelled from PASOK--it will be an anti-PASOK party and will be active in the "leftist socialist area." After the party is established officially a conference of its members will be held in Salonica.

The expected move by Arsenis, who was dismissed from the Ministry of National Economy in July 1985, had various reactions, major among which was cautiousness. What really attracted the attention of political leaders was not the move itself but the timing of the announcement. From the time he was replaced in the ministry by Simitis until the time he left PASOK and gave his first and only press conference on 14 March 1985, Arsenis experienced a gradual change from the official party and government policy which PASOK's leadership followed. It is characteristic that at that conference Arsenis was particularly careful in his remarks about Papandreu whom he excluded from his austere comments about persons who formulate the government policy.

It is pointed out that this careful attitude toward the premier is not compatible with the establishment of an anti-PASOK party. This fact was discussed by party officials who pointed out that:

Time will show how much the Arsenis action will affect the mobility in PASOK's left wing area as well as that of the persons expelled from the party and of the unaffiliated ones.

On the other hand, particular attention was paid to the timing of the announcement of the establishment of the new party. It is felt that this timing was particularly successful because:

Following the humiliation it suffered in the municipal elections, PASOK is in a steadily increasing turmoil as a result of the government ineffectiveness and the scandals which have upset not only the public but mostly officials

of the governing party. Many believe that the meetings of the Parliamentary Group and of the PASOK Central Committee will put to the test the cohesiveness and compatibility if not of the deputies on whom the parliamentary support of the government depends, at least that of the party cadres.

The question is whether the announcement concerning the Arsenis party makes it easy or difficult for Papandreu to impose on his party the policy he wants. How attractive, that is, the new party can be to those who leave or are expelled from PASOK and who, in any case, are connected with the government.

KKE is developing the initiative it successfully started during the municipal elections for post-election "coalescence" among the leftist forces. Leaders in the area of the Left were saying that the credibility of the new party will depend to a great extent on the way KKE receives it.

Finally, the discussions continue for the establishment of a new party which will replace KKE-Int. in accordance with the decision of the party's Congress. The new party (of KKE-Int.) will be established after next spring's Congress. Thus, the discussions and proceedings for the establishment of the Arsenis party will fatefully coincide with the KKE initiative for coalescence.

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CSO: 3521/32

## TEXT OF PRESIDENTIAL DECREE ON EYP REORGANIZATION

Athens PONDIKI in Greek 7 Nov 86 pp 27-29

[Text] In an exclusive article PONDIKI today publishes a significant document: the presidential decree that gives "birth" to the organization of the National Intelligence Service (EYP), in other words, the front for the old KYP [Central Intelligence Service].

The presidential decree consists of 54 articles and is divided into three parts:

The first part consists of the breakdown of services and organizations (Articles 1 to 39).

The second part contains the details of appointment, selection, location, detachment and service relations of the personnel (Articles 40 to 50).

The third part contains the interim and final regulations.

Because it came into our possession late and because we did not have time, we cannot make any significant comments! However, from all appearances, the new organizational structure of the National Intelligence Service, after a 5-month gestation period and repeated conferences, meetings and agreements between officials having jurisdiction and their counterparts, gives all the appearances--we say it with a heavy heart--of being the same as the old one!

Why? Because it simply contains in its general context the organizational structure of the old KYP, despite attempts to give it "new meaning" ... "A wolf is still a wolf, even in sheep's clothing" is a serious remark; however, let us continue and take a look at the new organizational structure:

The military will remain in key positions;

Many and unsurmountable prerequisites for the promotion of civilian personnel to EYP's higher positions are ratified;

No actual timetable has been set for the demilitarization of the service.

In other words, KYP, which was formed in 1949 and acquired its familiar character in 1953, continues to exist despite its abolishment last summer because the organizational structure provides for the creation of:

The Intelligence Council that will coordinate the activities of all intelligence and security services of the country; the Joint Coordinating Committee for Intelligence that will study and then submit proposals to the Intelligence Council;

Two deputies offices, one for operational affairs and one for administrative and financial affairs;

Committees to deal with administrative, functional and operational matters of EYP.

The presidential decree is presently being reviewed by the Council of State for markup and will return to the office of the premier's legal council, G. Kasimatis, from whence it left, in order to receive the final touches. When it leaves Kasimatis' office with Adrea's signature for the presidential palace, it will be stamped "secret" and, of course, will not be published in the Government Gazette.

Specifically the presidential decree (in which the grammar, etc. has been left in its original form, with only a few bullets added to make it easier to read) states:

## Title I

### Services - Organizations

#### Article 1. EYP Structure

The National Intelligence Service is composed of the Central Service and the Regional Services. The EYP Services are divided into Directorates, Groups, Independent Sections, Units, Sections, Bureaus and Secretariats, as specifically defined in the present article and the internal organizational structure of EYP.

##### A. Central Service. The Central Service includes:

the director

the director's bureau

the director's secretariat

the deputy directors

the offices of the deputy directors

the 1st Directorate

the 2nd Directorate

the 3rd Directorate

the 4th Directorate

the 5th Directorate

the 6th Directorate

the "R" Group

the Security Section

the Open Sources Collection Section

the Legal Section

the Accounting Section

the Administrative Section

B. Regional Services: EYP's Regional Services consist of Regional Support Units, as specifically defined in EYP's internal organizational structure.

Article 2. Jurisdiction of EYP's Services

The jurisdiction of EYP's services and organizations are as follows:

A. Director. His jurisdiction is defined in Article 3.

B. Director's Bureau

1. Assists the director in coordinating and supervising the service.

2. Carries out whatever duties are assigned to it by the director, within the context of the decisions of the National Security Council and of the premier.

C. Director's Secretariat: provides secretarial support for the director, attends to his correspondence and takes care of his public relations.

D. Deputy Director: their jurisdictions are defined in Article 4.

E. Offices of the deputy directors: provide assistance to the deputy directors in carrying out their duties.

F. 1st Directorate: it is responsible for the collection of intelligence that concerns the national security of the country in the military sector.

G. 2nd Directorate: it is responsible for the collection of intelligence that concerns national security in the political, economic or any other area, except that of the Armed Forces.

H. 3rd Directorate: it is responsible for countering espionage activities by foreign intelligence services against the country.

I. 4th Directorate: it is responsible for the analysis, processing and dissemination of intelligence.

J. 5th Directorate: provides technical support, equipment and materiel to the operational directorates.

G. 6th Directorate: it is responsible for matters concerning personnel organization, training, finances and contracts.

1. Security Section: it is responsible for matters of security, personnel, equipment and installations of the service.
2. Group "R": it is responsible for the collection and processing of intelligence by electronic means and communications security.
3. Open Sources Collection Section: it is responsible for the collection of information from mass media sources.
4. Legal Section: it is responsible for providing opinions and solving legal matters for the service.
5. Accounting Section: it is responsible for the financial accounting of the administrative, financial and materiel branches of the service.
6. Administrative Section: its jurisdiction covers matters of an administrative nature.
7. Regional Support Units: provide intelligence support.

Article 3. Director.

1. The director supervises the EYP and:
  - A. Has the highest command of EYP's services, controls and coordinates its operation.
  - B. Is the disciplinary supervisor of EYP's entire personnel, both civilian and military, and exercises disciplinary authority in accordance with the decrees in force and this decree.
  - C. Is an advisor to the premier on matters within his jurisdiction and informs him on every matter that concerns the country's national security.
  - D. Carries out any other duty that has been verbally assigned at this time or that has been assigned on the basis of orders to the chief of KYP that are still in force and that do not conflict with Law 1645/86 or this decree.
  - E. By decision of the premier, can regulate, in accordance with Article 4, paragraph 2, of Law 1645/86, more specific matters of the transfer of the director's responsibilities to the deputy directors and heads of directorates, independent sections, groups and units.
2. The director of EYP is appointed from among persons holding a degree from a Greek or equivalent foreign university or other equivalent local or foreign school and having administrative experience in the public or private sector. To the director's position there can also be appointed top-ranking retired officers of the Armed Forces, of the Port Corps or of EL.AS.

3. The duties of the director can be assigned, by decision of the premier, to top or high-ranking civil servants or members of the Judiciary on active service. The term as director of EYP is fixed in the act of appointment. In the case of members of the Judiciary, this term cannot exceed 3 years. The decision to assign the duties of director of EYP to a member of the Judiciary is always to be issued after an opinion is rendered by the highest judicial council formed by the ranking members of the Judiciary.

Duties of the director of EYP are assigned to active duty officers of the Armed Forces, the Security Corps or the Port Corps only within the framework of Article 8 of Law 1645/86.

4. The assignment of the duties of director of EYP to a civil servant or member of the Judiciary on active service entails the suspension of the exercise of the duties of his regular office.

5. Whenever the director of EYP is unable to perform his duties or is absent, he is replaced by the First Deputy Director and whenever the latter is unable to perform his duties or is absent, he is replaced by the Second Deputy Director.

#### Article 4. Deputy Directors.

1. The deputy directors assist the director in his work in accordance with Article 5, paragraph 2, of Law 1645/86; they carry out any other duties that are verbally assigned to them and they supervise:

The deputy director of the Operational Division (First Deputy Director): a) 1st, 2nd, 3rd and 4th Directorates; b) Group "R"; c) Regional Support Units; d) the Open Sources Collection Section.

The deputy director of the Administrative, Economic and Technical Support Division (Second Deputy Director): a) 5th and 6th Directorates; b) the Administrative Section; c) he is chairman of the Service and Disciplinary Councils.

2. The qualifications set forth in Article 3, paragraph 2, are required for the appointment to the position of deputy director.

3. The duties of deputy director can be exercised by civil service employees or public sector employees or members of the Judiciary in accordance with the provisions of Article 3, paragraph 3, as well as officers of the Armed Forces, of EL.A.S. or the Port Corps. The appointment is made in accordance with the provisions of Article 3, paragraph 3, and calls for the deferments of Article 3, paragraph 4.

4. Whenever the deputy director of the Operational Division is incapacitated or absent, he is in turn replaced by the deputy director of the Administrative, Economic and Technical Support Division.

The deputy director of the Administrative, Economic and Technical Support Division is replaced by the deputy director of the Operational Division whenever the former is incapacitated or absent. In the event the latter is incapacitated or absent, he is replaced by the director of EYP.

Article 5. Supervisors of EYP's Service Units.

1. EYP's services are supervised as follows:

Directorates, by directorate supervisors

Groups, by group supervisors

Sections, by section supervisors

Bureaus, Units and Secretariats, by bureau, unit and secretariat supervisors. In order to implement existing directives and this decree, the group supervisors are to be considered equal to directorate supervisors; unit supervisors equal to section supervisors and the secretariat supervisors equal to independent bureau supervisors.

2. EYP's Service Unit's supervisory positions are filled by civilian and military personnel of EYP in accordance with the directives contained in the premier's secret order endorsing the internal organizational structure of EYP.

3. As soon as this decree goes into effect, and for 3 years thereafter, civil servants of the government may be appointed to the position of supervisor of a directorate or independent section or unit, by being detached or by equivalent full or partial assignment of duties, in accordance with the internal organizational structure of EYP that allows civilian personnel to fill such positions by decision of the premier. Those detached for the above-mentioned positions have the right to choose, by a statement that cannot be withdrawn after 1 month from the date of the notification of the detachment, the remuneration for the position to which they have been assigned, otherwise they will receive the remuneration for the position they previously held. The remuneration of those performing the duties of a supervisor of a directorate, independent section or unit of EYP with equivalent, full or reduced employment, is designated by decision of the premier.

4. After 3 years have elapsed from this decree's effective date, the appointment to positions indicated in the previous paragraph may continue by decision of the premier. Personnel may be detached or given equivalent duties for as long as the service council of EYP decides, if it can be proven that there is no EYP employee in a position to perform successfully the duties of the position to be filled, or no one possesses the necessary qualifications for it.

5. The supervisors of the service units of EYP are selected and appointed as follows:

A. The supervisors of directorates, groups, independent sections and units, by decision of the director of EYP.

B. The supervisors of sections, independent bureaus and secretariats: 1) if it involves civilian personnel, by decision of the service council in accordance with Law 1586/86 and the directives of this decree; 2) if it involves personnel of the Armed Forces, of EL.AS. and the Port Corps, by decision of the director of the service.

6. The supervisors of the organizational service units of EYP are selected:

A. From civilian personnel: permanent status civil service employees in accordance with directives of Law 1586/86, as long as they are not superseded by directives of the present decree. Civilian personnel may not be appointed to positions of supervisor of directorates, sections or units of the directorates of the Operational Division, Group "R" and the regional support units unless they have command experience of an organizational unit at an immediately lower level and have not served 1 year in directorates of the operational division. This restriction does not apply to personnel referred to in paragraphs 3 and 4.

B. From Armed Forces, EL.AS. and Port Corps personnel: graduates of Armed Forces, EL.AS. and Port Corps academies. The above-mentioned personnel cannot be appointed to the position of supervisor of a directorate or section of the Operational Division directorates unless he has command experience of units of the Armed Forces, EL.AS. or the Port Corps.

7. The supervisor of EYP's organizational units are replaced, whenever they are absent or incapacitated, by substitutes wherever the internal organizational structure of EYP provides for substitutes. In all other cases the replacement is made in accordance with the directives of Article 13 of Law 1586/86, provided it does not conflict with the directives of this decree. At his discretion, the director of EYP can order a different sort of replacement.

Article 6. Intelligence Council.

1. The Intelligence Council coordinates, within the context of the decisions of the National Council and the premier, the activities of all the intelligence and security services of the State in the field of collection and dissemination of intelligence that are related to matters falling under EYP's jurisdiction.

2. The Intelligence Council regularly meets every 2 months and in special session whenever there is need and upon the call of its chairman. The chairman prepares the agenda and presents the subjects, unless he designates another council member to do so.

3. The duties of secretary of the council are performed by a Grade 1 EYP employee or a superior officer of the Armed Forces, EL.AS. or the Port Corps, as designated by the chairman.

4. The council chairman makes known the agenda to the premier in time for the latter to exercise his responsibility for designating the members in accordance with article 6, paragraph 2, of Law 1648/76. If by the scheduled date and hour of the meeting of the council, the premier has not designated any members, then the Intelligence Council, together with the remaining members present, constitutes a quorum.

5. The Intelligence Council always meets with all its members present and reaches a decision by majority of those present. In the event of a tie vote, the chairman's vote breaks the tie.

6. The director of EYP makes a detailed report to the premier on the matters under discussion and submits the council's decisions to him for approval.

**Article 7. Joint Coordinating Committee on Intelligence.**

1. The Joint Coordinating Committee on Intelligence is composed of:

- A. The deputy director of the operational division as chairman.
- B. The representatives, as the case requires, of the ministries of National Defense, Public Order, Foreign Affairs and the State agencies having jurisdiction.
- C. One representative for each EYP directorate.

2. The committee is convened by decision of the director of EYP once every 2 months and in special session when the need arises. The subjects to be discussed are set forth in the decision.

3. The committee has the following jurisdiction:

- A. Prepares and submits proposals to the Intelligence Council.
- B. Has oversight over the implementation of the decisions of the Intelligence Council and assigns specific duties to its members.

**Article 8. Committees.**

By decision of the director of EYP, committees are established and formed for the purpose of dealing with administrative, service and operational matters of EYP. The formation of the above-mentioned committees and their duties are defined in the premier's decisions set forth in the first section of paragraph 2 of Article 4 of Law 1645/86.

**Title II**

**Personnel**

**Chapter I**

**Categories-Grades-Civilian Personnel**

**Article 9. Grades of Permanent Personnel.**

The positions of the permanent civilian personnel are classified by grade as follows:

1. University Education (PE) grades are classified as follows:

- A. PE 1 - Administrative
- B. PE 2 - Intelligence Staff

- C. PE 3 - Data Processing
- D. PE 4 - Cryptoanalysts
- E. PE 5 - Communications Intelligence Analysts
- F. PE 6 - Special Technicians
- G. PE 7 - Translators/Interpreters
- H. PE 8 - Special Investigators

2. Technological Education (TE) grades are classified as follows:

- A. TE 1 - Technological Applications
- B. TE 2 - Data Processing
- C. TE 3 - Radio Operators
- D. TE 4 - Graphic Arts Technicians--Librarians

3. Secondary Education (DE) grades are classified as follows:

- A. DE 1 - Administrative
- B. DE 2 - Electronic Computer personnel (I/Y)
- C. DE 3 - Technicians
- D. DE 4 - Cryptoanalysts
- E. DE 5 - Communications Intelligence analysts
- F. DE 6 - Network monitors--Linguists
- G. DE 7 - Translators--Interpreters
- H. DE 8 - Typographers

From this point on we mention very briefly the contents of each article in view of the fact that they are only of interest to those directly affected.

Article 10 refers to the qualifications of grade PE 1 Administrative employees, which consists of 70 positions.

Article 11 pertains to the qualifications of grade PE 2 Intelligence Staff, which is projected to provide 231 positions.

Article 12 extolls [sic] the qualifications of grade PE 3 Data Processing, which will have 29 positions.

Article 13 defines the qualifications of grade PE 4 Cryptoanalysts, which will have 12 positions.

Article 14 refers to grade PE 5 Communications Intelligence Analysts, which will have 40 positions.

Article 15 defines the qualifications of grade PE 6 Special Technicians, which will have 43 positions.

Article 16 refers to the qualifications of grade PE 7 Translators/Interpreters of whom EYP will have 23 positions.

Article 17 defines the qualifications of grade PE 8 Special Investigators, which will have four positions.

Article 18 refers to the specialties of grade TE 1 Technological Applications, which will have 52 positions.

Article 19 defines the qualifications of grade TE 2 Data Processing, which will have 22 positions.

Article 20 defines the qualifications of grade TE 3 Radio Operators, which consists of 308 positions.

Article 21 refers to the positions and qualifications of those to be appointed to them of grade TE 4 Graphic Arts Technicians--Librarians. This grade will have nine positions (even a photographer is provided!).

Article 22 defines the qualifications of EYP's administrative employees of which there will be 296.

Article 23 refers to the positions and qualifications of grade DE 2 Electronic Computer Personnel, which will have 46 positions.

Article 24 defines the qualifications and positions of grade DE 3 Technicians. The grade will consist of 56 positions.

Article 25 refers to the qualifications of grade DE 4 Cryptoanalysts, which will have 14 positions.

Article 26 contains the qualifications for the 25 positions of grade DE 5 Communications Intelligence Analysts.

Article 27 defines the qualifications of grade DE 6 Network Monitors--Linguists, which will have 296 positions.

Article 28 defines the qualifications for the 120 positions of grade DE 7 Translators/Interpreters.

Article 29 refers to the positions of grade DE 8 Typographers. The grade has 22 positions.

Article 30 defines the qualifications for the 95 drivers at EYP.

Article 31 contains the qualifications for the service's three telephone operators.

Article 32 contains the positions and qualifications of the auxiliary personnel at EYP, which will have 27 individuals.

Article 33 refers to the 99 positions of guards--night watchmen and the qualifications required for them.

Article 34 defines the qualifications of the 11 waiters, coffee shop foodservers and cook provided for EYP.

Article 35 covers the positions and qualifications for the 51 janitorial personnel.

Article 36 refers to the 20 positions of special scientific personnel to be hired by EYP under a limited time contract (3 years).

Article 37 defines the manner for certifying knowledge of a foreign language.

Article 38 defines how EYP's personnel is to be assigned between its central and regional services.

Article 39.

1. For the purpose of meeting specific needs of EYP, the following military personnel serve in its units:

A. 52 Officers of the Armed Forces from the rank of captain to that of colonel or the equivalent ranks in the other services.

B. 54 EL.AS. officers from lieutenant to lieutenant colonel.

C. 6 Port Corps officers from ensign to commander.

D. Personnel consisting of enlisted men of the Armed Forces or the Port Corps or lower grade employees of EL.AS. holding positions in the service and in specialties listed in the secret decision of the premier, according to Article 4, paragraph 2, of Law 1645/86.

3. [as published] The officers of the Armed Forces, EL.AS. and Port Corps are placed and are obliged to serve in the EYP for a period of 5 years unless they are removed in the interest of the service. If an officer is considered capable of performing his duty, this term may be extended.

Article 40. Appointment, Placement of Civilian Personnel.

1. The vacant positions of civilian personnel are filled through the exemption to any standing rule by selection, after an announcement, from among those having the necessary qualifications for the agency. The manner for the dissemination of the announcement is made by decision of the premier, issued upon the advise of EYP's director.

2. The selection is made by a three-member examining committee, formed by decision of the premier upon the advice of the director of EYP, whose composition is defined by decision of the premier. By the same decision, the positions to be filled, the selection procedure and every other pertinent detail are defined.

3. The appointment of civilian personnel is made by decision of the premier and is effected at the entry grade and pay scale according to existing directives.

4. The appointed civilian personnel is subject to a 2-year probationary period during which time it is mandatory to attend the schools of the services branches operated by EYP.

5. Probationary employees may be separated because of unsuitability by order of the premier at the proposal of EYP's director and upon the advice of the Council of Ministers.

6. In accordance with the provisions of Article 5, paragraph 5, the placement of civilian personnel in the directorates, independent sections, independent bureaus and secretariats, in Group "R" and the regional units, is made by decision of the director of EYP.

Any further assignment and placement of personnel in sections, units or bureaus is made by decision of the supervisors of the directorates, independent sections, Group "R" and the regional support units.

Article 41. Selection, Assignment of Officers of the Armed Forces, EL.AS. and the Port Corps.

1. The assignment of officers of the Armed Forces, EL.AS. and the Port Corps is made after their selection by EYP and the consent of the officer to be assigned.

2. It is necessary for the assignment of officers of the Armed Forces, EL.AS. and the Port Corps that the officers to be assigned:

A. Be graduates of the academies of the Armed Forces, EL.AS. or the Port Corps or graduates of institutions of higher learning.

B. To have been selected for promotion during their latest fitness period, prior to their assignment, by the corresponding selection board of the Armed Forces, EL.AS. or the Port Corps. In the event that no selection for promotion is foreseen, their records must not contain unsatisfactory reports.

3. For the positions falling within the purvue of Article 39 of this decree, regular officers in the active reserve may serve. The officers recalled to active duty who serve in EYP are subject to the directives in force regarding age limits and the 35-year service limit.

4. The assignment of personnel of the Armed Forces, EL.AS. and the Port Corps to positions provided for them is made by decision of the director of EYP.

Article 42. Detachment of Civilian Personnel.

1. In accordance with the provisions of Article 5, paragraphs 3 and 4, the detachment of civilian personnel of the government to EYP positions to cover special needs is permitted by decision of the premier issued after a proposal by the director of EYP and superseding any regulation in force.
2. The period of detachment is credited as having been served in the organizational position from which the employee was detached, in the event an issue is made.

Article 43. Service Relations of Personnel.

1. The civilian employees and the Armed Forces, EL.AS. and Port Corps personnel are subordinate, without discrimination, to the civilian supervisors or supervisors who are officers of the Armed Forces, EL.AS. or the Port Corps in charge of EYP organizational units as the latter are defined in Article 5 of this decree and in the internal organizational structure of EYP.
2. In any other case, the subordination of officers of the Armed Forces, EL.AS and Port Corps to civilian personnel is allowed only if the civilian supervisor is a university graduate and is at least a Grade 1.

Article 44 refers to the evaluation of the military and civilian employees of the service.

Article 45 contains the disciplinary regulations that affect the personnel of EYP. Paragraph 4 of this article states: "The director of EYP has the disciplinary authority of: a) the Secretary General of a Ministry with regard to civilian personnel; b) an army commander, fleet commander, commander of ATA [Tactical Air Force Command, Chiefs of EL.AS. and Port Corps as far as concerns personnel of the Armed Forces, EL.AS. and Port Corps, respectively."

Article 46. Incentives.

1. The following allowances are paid to permanent personnel of EYP:
  - A. Special position allowance for deputy directors of EYP, amounting to 50 percent of the base pay of their position. The above allowance is reduced proportionately where the cumulative remuneration of the deputy directors exceeds 90 percent of the cumulative remuneration of the director of EYP. Included in the cumulative remunerations are all types of allowances and increments.
  - B. Special scientific allowance for the special scientific personnel provided for in Article 36, to amount to 30 percent of the base pay for their positions. The above-mentioned allowance is reduced proportionately when the cumulative remuneration of this personnel exceeds 85 percent of the cumulative remuneration of the director of EYP. Included in the cumulative remunerations are all types of allowances and increments.
  - C. Added responsibility allowance, at the rate of 30 percent of the pay scale or base pay received. The allowance is provided across the board to all civilian,

military, EL.AS. or Port Corps personnel by decision of the premier at the proposal of the director of EYP. It is possible that for special reasons a differential allowance for increased responsibility, which cannot exceed 40 percent of the basic pay scale or base pay, may be granted to particular personnel categories of certain directorates by decision of the premier at the proposal of the director of EYP.

D. Linguistic allowance, set at a rate of 5 percent of the base pay or pay scale received across the board, for all EYP personnel, civilian, military, EL.AS. or Port Corps for each foreign language spoken with complete fluency, in addition to the language necessary for appointment in EYP.

E. Housing allowance at the rate of 30 percent of the 13th [as published] pay scale, only for civilian, EL.AS. and Port Corps personnel if: 1) they demonstrably do not have housing at the location of their employment for themselves or their families (wife, children). The lack of housing is proven by a statement of legislative decree 105/69; 2) they do no receive a similar allowance from another source while at EYP; 3) they have not found housing after submitting the pertinent statement.

F. Position allowance for Armed Forces, EL.AS. and the Port Corps, at a rate and with the premises under which it is granted to the civilian personnel in accordance with Article 12 of Law 1586/1986.

2. The permanent civilian, military, EL.AS. or Port Corps personnel of EYP is granted the following additional years of service for pension purposes if it has completed 25 years of actual service in EYP, or 20 years of actual service for those retiring because of physical disability, or death:

A. For radio operators and monitors of the regional units, 5 years, including the increment recognized by Article 15, paragraph 3, of Law 1202/81.

B. For monitors and typographers of the central service, 3 years.

C. For the remaining personnel, 3 years, independently of branch or specialty, if they have served an equal number of years in regional units, with the exception of the Attiki basin and Salonica.

3. For the personnel already in service at the time this decree is published, 18 months of additional retirement service is accrued. This is counted after 25 years of actual service have been completed.

4. Under no circumstances can the additional time of service allowed for pension purposes, as defined in paragraphs 2 and 3 of this article, be accrued cumulatively.

5. Paragraph 2 of the present article does not apply to personnel of the Armed Forces, EL.AS. and Port Corps if another legislative decree has granted them additional service time in excess of 3 years.

#### Article 47. Obligations and Restrictions of Personnel.

1. In addition to the obligations engendered by civil service status, all personnel serving in EYP is obliged:

- A. To notify the service of all travel abroad and, more specifically, the countries which he or she is about to visit or has visited and the length of time spent in each of them.
- B. To notify the service about the organizations, associations or clubs of any sort, and their nature, of which he or she is a member.
- C. To notify the service about the person to whom he or she is about to become engaged or about to marry.
- D. To move, without any delay, to the services and positions to which he or she has been transferred.

2. EYP personnel of any category or nature are forbidden to have contacts or relations with individuals belonging to personnel of foreign embassies, missions or intelligence services without the permission or knowledge of the service. It is also forbidden, without the permission or knowledge of the service, to establish relations or to keep contacts with persons seeking to overthrow the democratic government of the country.

3. The violation of any of the above-mentioned obligations constitutes a disciplinary infraction and is punished in accordance with the standing rules and/or with the penalty of dismissal.

4. Contracting matrimony with a person judged by the service to be dangerous to the security of the nation entails transfer of the employee to another civil service position in accordance with the rules of Article 10, paragraph 2, of Law 1645/86.

5. The personnel of EYP is not allowed, without the previous decision of the premier, to testify as a witness in court on any subject related to matters, information, events or individuals connected with the service.

6. More specific obligations of EYP's personnel are defined in its internal organizational structure.

#### Article 48. Training of Personnel.

- 1. EYP's personnel in any category is trained in schools of:
  - A. EYP
  - B. Armed Forces
  - C. Government services and organizations
  - D. Foreign countries
- 2. Basic training and instruction of personnel schools operates at EYP. Successful graduation from these schools constitutes a qualification for promotion only with EYP.

3. By secret decision of the premier, which is not published in the Government Gazette, are defined:

- A. The schools of EYP and the subjects taught
- B. The duration and organization of these schools
- C. Any other matter regarding the faculty and operation of said schools

4. The employee trained in the schools mentioned in paragraph 1 of this article has an obligation to serve in EYP for 3 years after graduation, if the training is from 6 to 12 months, and for 5 years, if the training exceeds 1 year.

5. In the event of non-compliance with the above-mentioned obligation, the employee is obliged to reimburse the government, within 3 months, for all expenses and allowances received during training as well as the training expenses.

6. The institutions of higher learning of the country are required to admit, by decision of the premier, EYP personnel for the purpose of attending specific classes for their instruction.

#### Article 49. Mobilization of Personnel.

1. All personnel categories are exempt from mobilization during their service with EYP.

2. By decision of the premier, and after a relative proposal of the director of the service, it is possible for all or part of the personnel to be pre-mobilized or mobilized in accordance with the needs of EYP.

The last five articles concern the following:

Article 50 refers to the duty time schedule of EYP's personnel.

Article 51 provides that the permanent employee of EYP is automatically enrolled with the rank or grade he holds in the grades defined by the presidential decree.

Article 52 rules that the personnel of EYP comes under the same regulations in effect for all civil service employees.

Articles 53 and 54 regulate various procedural matters for enrollment of EYP personnel in the newly constituted grades.

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CSO: 3521/33

POLITICAL

GREECE

BRIEFS

PAPANDREOU FAMILY CIRCLE ADVICE--Members of the Papandreu family held a meeting at Kastri [the premier's residence] to discuss the present situation and decide on the line to be followed in the next few months. According to leaked information, Papandreu and his family studied the results of a confidential poll the premier himself commissioned. These results show the masses of various classes, which had supported PASOK in the past, distancing themselves from the party and supporting the camp of undecided voters. According to the same information, the views of the premier's wife prevailed and it was finally decided for Papandreu to "give battle" after first cleansing the party and not to hold early elections. In this battle he will use known "political tricks." Also, Papandreu's family found out that margins for intensive anti-Americanism in Greece are narrow in order to rally around him the leftists and to have his policies accepted by the unions. With such givens, rushing the elections before the fall of 1988 should be out of the question unless the situation changes radically--like a new ND victory in the Bar Association election or PASOK's defeat at the student elections in March. [Text] [Athens EMBISTEVTIKO GRAMMA in Greek 3 Dec 86 p 3]. 7520

CSO: 3521/47

## PCI'S OCCHETTO ON PRESENT SITUATION, NEED FOR REFORM

Rome L'UNITA in Italian 30 Nov 86 p 2

[Interview of PCI Central Committee member Achille Occhetto by Ugo Baduel; date, place not specified; first paragraph is UNITA headline, summary]

[Text] "A New Pact To Make the Democracy Real." Interview with Occhetto: No digging in. Open challenge to all the reforming forces. The controversy about the discussion in the Central Committee. Not only faults and errors by others, but objective phenomena that undermine the republican state. The "severe analysis" suggested by Craxi, and the alarm of father Sorge. The spirit of the Salerno turning point and the institutional reform. A growth in the movements in society, and the relationship to our program agreement. We call on the PSI for more courage. The role of the Catholics, and the third phase of Moro.

Rome--[Question] Well then, Occhietto, a week away from the meeting of the CC [Central Committee] and the CCC [Central Control Commission] can you say that you are satisfied? Has the new signal that the PCI wanted to convey with your report and the discussion that followed been understood? It appears to me that many have recognized these developments, but others have said that the Communists were confining themselves in a pessimistic view, "catastrophic and gloomy," of the crisis of democracy, and which, "having disqualified all the possible partners," left them no other prospect than a sectarian fortress approach of the "old type."

[Answer] "When misunderstandings and misinterpretations arise, such as those you referred to in connection with the last CC meeting, I would consider it more positive and useful, before identifying responsibility of others--though I can imagine that it is not lacking, to commit oneself to a further effort at clarification. And then I will try to better explain. In the CC we did not at all want to paint a picture in dark colors. Certainly, we did start from a strict and severe analysis of the reality, and this we had already done at other times. However, where was the new development that we tried to introduce? It lay in the fact that given the crisis in government of this society, the failure of the hypotheses of governability advanced by the moderate and conservative forces, and the errors that we attribute to the dominant classes and the current and past majority parties, we are now introducing a much broader matter, a process that affects the entire Italian

democracy and thus concerns all the forces that have given life to the Republic.

"Have I explained myself? There are not only faults and errors--beware, they remain: we do not absolve anyone--of foolish or corrupt management of public affairs, there are, as we have said, objective phenomena such as the centralization and along with it globalization of the economy, or of information, that create profound tensions in the political-institutional systems and can directly raise problems of delegitimization of democracy in the advanced societies of the capitalist West. This is a huge new development, and in face of it we need to equip ourselves in completely unforeseen terms. In the face of an analysis of this type--and we were perhaps the first to say so, but within a few days many others did also--we are not going to retreat onto the hill of the sectarian Cassandras, rather we launch an open challenge to all the forces on the left to redesign and remodel the state, starting with the rights of citizens, in order to make democracy a reality and create a new democratic frontier."

[Question] That is, the issuance is not a frontal contradiction of everyone...

[Answer] "But it is exactly the opposite, it is an opening. And in fact note: IL POPOLO wrote about a 'nonsimplistic explanation' of the crisis of democracy, and in other parties--still in the realm of the Catholic-inspired political cultures--it is said the 'a new pact is now necessary.' Hence, the new development has been received, and there are the debaters..."

[Question] This is true for the DC, however, the Socialists, for example, have spoken in AVANTI! about a "Communists' pause" for "digging in."

[Answer] "Intini must have limited himself to reading the report from a few news agency flashes. The Socialists should fully understand that when we say we want to reraise the banner of 'major reform' (which the five-party setup--I feel that this can certainly be stated--has allowed to fall very low), the words are aimed above all at them. On the other hand, you will have read what Craxi himself said in the report to his party's leadership last Wednesday: 'The analysis must be made in a strict way. There is a growing apart that risks increasing dangerously. There are stoppages, scleroses, and forms of degeneration that we cannot, and do not wish to, ignore.' As is evident, we are not being catastrophists, but the situation requires that certain things be emphasized.

"Moreover, how many other signals have there been in the past week? The genuine cry of alarm issued by father Sorge in L'UNITA, the tone of Scalfari's accusations in his reply to De Mita, which go well beyond the quarrels between the two, or certain affirmations by a Socialist political expert like Baget-Bozzo. In short, it is not true that by pointing out the urgency of a democratic issue we were isolating ourselves, rather, we anticipated what many were warning was an urgent need, and now we are encountering them on the ground that we pointed out, defined, and outlined."

[Question] Thus, in the field of analysis of the crisis of democracy and the state, the PCI is finding responders. Fine, but to do what? To sit together

at the "separate" table of the discussions on the institutional mechanisms? Or to do something more?

[Answer] "There is still a long way to go on this road. It is not only a matter of seeking new rules or new institutional measures (which are also needed), nor is it a matter of going down into the arena to defend one's own ground, following a viewpoint of pure and simple party interest (as De Mita does when he theorizes about his allowing an alternative). It is a matter of really recognizing the objective character of the processes that we have been analyzing, in the financial, economic, social and political field, and thus--as regards the DC--giving a response at that level. I find it significant that right now someone is raising again the issue of a 'third phase,' trying to update the Morotean inspiration. He cited Cabras ('the Morotean reasoning about the third phase to resolve the incomplete democracy in a new political and institutional fabric') in his comment to our CC that I have already mentioned. And Giovanni Galloni spoke about it with even greater clarity at the recent meeting of the DC left."

[Question] But is the discussion only institutional? Are you not forgetting the program, the whole matter of content, which, going beyond alignments, should determine the alliances? What relationship is there between discussion of the crisis of democracy and the state and the need for coherent program proposals on the basis of which to call the forces of the entire reformist left to confrontation?

[Answer] "There is no contradiction, and not even a parallelism. While it is true that today the starting point issue for reform of the state is that of rights--all the rights--of the citizens, it is also true that any reform of the state is not conceivable as something separate, as a simple 'frame' for the concrete problems, but puts into play all the content. To give you an example: Is or is not the tax issue a program matter? Yes, naturally. But is it or is it not also an issue in reform of the state, of its role in society? It is, indeed. Here is the interrelationship. And we must understand this. We have taken a very important first step. We have admitted that the difficulties of Italian democracy, its inadequacies in relation to the major processes underway in the country and on the international level, are not due only to the famous "conventio ad excludendum," the unwritten rule excluding the PCI from the government of Italy. We have said that henceforth this crisis--in addition to this cause that remains and is of great significance--there are also other causes, more profound, that affect and interest all the democratic parties. With this affirmation, we have departed from a purely party or faction viewpoint by advancing a more general argument. As I said in my report, today we are presenting a type of analysis and proposal with the spirit as in the 'Salerno turning point' of 1944, when we saw with clarity the urgency of a process of 'progressive' democracy, something new, that would not be simply the reproposal of the liberal, oligarchic democracy of the prefascist era. This is the 'new pact' that we are proposing."

[Question] But do the others understand this argument?

[Answer] "The first signs are not discouraging. In my opinion, the others, at least those who share our alarm about the situation (and, as we have seen, they are neither few nor secondary) should for their part also abandon pushing

any solution from a purely party or factional viewpoint. We have said that the crisis of democracy should not be seen only in terms of the admission or less of the Communists into the realm of government. We may expect of the other parties that they not put the institutional issue only in terms of new regulations to make easier their 'governability' on the current bases. That is a factional, minimizing viewpoint, and completely inadequate to face the terms of the crisis of democratic legitimization of the state, and of the ungluing in relations between the state and the citizens."

[Question] And let us talk, then, about these relations. In the past few weeks and days there have been underway in Italy banner movements of various nature resulting from elements in conflict for rather diverse reasons. Are all the movements good? Are all the banners positive? Or are there also dangerous banners of ungluing?

[Answer] "This fever that is spreading certainly shows that it is no fantasy to affirm that we have entered a new phase, and that a cycle has been completed. Only 2 or 3 years ago, the situation was rather more discouraging: everything was silent in a still pond. Not only in Italy. Look how things are today: there are photos in the papers such as we have not seen for years, the Parisian students movement, the demonstrations in Naples, Catania, Rome and Turin, and the ecologists in Germany. Everything is again in ferment and the peak phase of the neo-conservative wave that had "restored order" seems to be declining. This is true. But having said this, certainly when the square is active not everything is "per se" and automatically of a reformist or leftist brand. Included is certainly also the "indifferentism" or opposite movements. But what seems to me important is that while new protagonists have entered the arena, politics itself has received a breath of fresh air and the problems are visible. There is more concreteness, and one no longer has to follow only the statements or little performances by this or that personage in the theater of petty politics."

[Question] You have said that the movements have different targets. However, there are some who accuse the PCI of not having its programmed options and sufficient coherence to be able to make a choice...

[Answer] "By no means! I would say that the very character of the movements underway confirms that we were seeing correctly when we established with originality the objective of our 'program agreement.' We viewed it not as preparation of a program with rigid points, but as the high-profile synthesis of a process of formulation and political initiative. In short, an interweaving in which each new formulation suggests new phases of effort, and vice versa. Certainly, we need to distinguish among the various more or less spontaneous movements. For example, it is evident that among the marchers in the demonstration against the Turin tax authority there were some who were expressing genuine hardship and protest, with whom it is necessary and timely to discuss, encounter, and explore more deeply the themes of the protest. However, there is also no doubt that the leadership of that movement was going in a direction opposite to that of people wanting genuine reforms. That is, it was under control of the objective of eliminating the welfare state. We do not want to be under the control either of the enemies of the welfare state or of Visentini. We are not supporters--and this is the intended originality of our program planning--of taxing more or taxing less, and that's it. We are in

favor of the tax system responding to irrevocable criteria of fairness, on the one hand; and, on the other, for this very reason, reflecting a certain expenditure policy that provides investments that can guarantee employment for the youth. In short, we recognize the valid motives of a protest against the tax system that were also expressed in the Turin procession, and we link them to the youth's struggle for employment expressed in the Naples procession. Moreover, we have already said, and I repeat it here: we are not the party of taxes, but of the victims of taxes. Nor are we, nor do we intend to be, the party of demagogic and of those interested in destruction of the welfare state. The tax issue must be raised again strongly on themes of fundamental importance (structural elimination of tax drainage, and reduction of rates, tickets, and fees for health). Hence, our coherence is displayed in standing together and pointing in a reforming direction the struggles and movements of various banners, yet criticizing and differentiating ourselves clearly from positions that we regard as mistaken."

[Question] And the differing banners are increasingly evident. Also in the forms. How would you describe the original "white strike" for livability of the city that was tried in Rome on Friday by car drivers?

[Answer] "That, as a smaller example, is a real confirmation of the validity of an approach that seeks to start again from the basis of citizens' rights. These problems are of the new type arising today, problems that cut across the social classes. There is not only the problem of traffic, obviously, or that of pollution; but many others such as working hours, hours of services, the cities, or free time, and the social organization related to liberation of women. At one time, there was either the big general strike of the working class, or the cloak of the conserving class: today there are multiple short-duration movements and struggles, for limited objectives and of direct effect, that produce unforeseen combinations of purposes. It is a whole new way of participating in politics, starting from the needs and rights that in our opinion should indeed give life and content to the democratic response, which is needed to heal the institutional crisis of the democratic state."

[Question] But political alliances are also useful, naturally, not only social ones. And here--getting to the end--I would like to turn for a moment to the subject of the political forces. On the PSI looking to its congress, the DC, the Catholic world, the "lay pole," what are your judgments in these days of polemics and tensions in the five-party set-up?

[Answer] "More than judgments, I can express wishes and requests directed at those parties. In my opinion, next year's PSI congress should draw up a serious and critical balance-sheet of the decade's experience of the 'new course.' The congress should reflect, I believe, on the fact that the intensified competitiveness on the left has not yielded the hoped-for fruits in voter terms, while it has created strong difficulties and an obstacle to the reforming hopes of the society. I feel I would sincerely like to ask the Socialist comrades to abandon the tendency--which I regard as serious and recurring--of continually casting shadows of scepticism on the very historical function of the left in Italy, and ask that it assume a position of faith in the possibilities and potentials of the people on the left together.

"Moreover, it is not I alone, it is not only we Communists, who are saying

this. Think about the recent debate about the pages of MICROMEGA magazine, a spirited debate that brought to light that the whole 'new course' phase did not at all end up on reformist shores. There are some 'nonsuspect' voices that have judged the PSI as 'in default' on the reformist ground. The Socialists should ponder this."

[Question] De Michelis has said outright that from now on we should certify the death of socialism and communism...

[Answer] "No, statements of this kind make little sense if the intended meaning is abandonment of some reforming hope, and--above all--they are also contradicted by the reality, as we have already said. However, in this paradox by De Michelis there may also be a truth that we have been indicating for some time: that there is a need to go beyond the experience of both the second and third internationals, to embark on the path of a genuine reform policy commensurate with the times."

[Question] And in regard to the idea of the "lay pole?" It is said that you demonized it in the report to the CC.

[Answer] "That is not true at all. No exorcising, but a criticism of the existing tendency to promote, also through this view, a mere substitution or a purely complementary role of the DC in the neo-centrist area. It is a criticism directed at a tendency direction, not a rejection. Indeed, I would like to emphasize that in our CC, both in the report and the discussion, we stressed the hinge function that the lay and Socialist forces can have in a quite different area: that of developing valid conditions for creating genuine program alternatives."

[Question] What role can and should the DC play in a reformist left context?

[Answer] "I would say first of all to the DC to take a good look around. For example, its leaders should carefully read for themselves the strong call by father Sorge, in which he affirms that there exists today in the country a vigorous political demand, asking for a logic of program instead of a logic of power. Along this path, the DC should proceed with a review and updating of Moro's 'third phase,' the high point of the Christian-Democratic formulation. The DC cannot evade a serious and profound reexamination of its identity in this historic phase. Today, all the political forces must settle their own accounts, also ourselves, we have not evaded this necessity. Indeed, the DC cannot avoid the issue by hiding behind the pompous teachings to which De Mita often resorts. De Mita himself knows that the travail that the left has lived through and is still experiencing in face of the major new developments of this era must also involve the DC, unless it wants to freeze itself in sterile opposition between its social vocation as a Catholic party and the tendency to give precedence to the motives of government coalition in an immobile and purely conserving key. The DC left has made a serious effort in this direction, which is the right one. In summary, the DC cannot expect to perform the role that certainly awaits it in this country by continuing to always keep together things that are clearly too contradictory among themselves.

"And there must also be discussion regarding the Catholic world, which, in a

phase of reshaping of the state, freshening of democracy, and response to the current institutional crisis, can certainly not fail to exert the influence of its tradition and its commitment in terms of solidarity, and sensitivity to the themes of participation, voluntary service, and the common good. No one, I stress, can today withdraw."

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CSO: 3528/45

## NATTA'S PROPOSALS FOR 'BIG COALITION' VIEWED

Rome AVANTI! in Italian 30 Nov/1 Dec 86 p 1

[Article by G.D.T.: "The 'Big Coalition'"]

[Text] They are showing their cards, and the dead are raising up. This is the case with the "big coalition" about which Natta has talked, and which, at least in the context in which it appears, would be nothing other than an updated reedition of the defunct "national unity."

Thus, we see returning old ideas, old schemes, old approaches, and again, unfortunately, they do not even cast a shadow.

Democratic centralism within the party, unitary unity, and, in summary, support of a leftist front and "national unity" for the government. A particularly severe critic, and perhaps a slightly biased one, would be tempted to say that all this is nothing other than baggage left over from the old communism, with surface revarnished but unchanged in substance.

Probably that is not exactly the way things are.

The society, individuals, families and thus the parties are changing, and also the PCI cannot and will not be able to evade the impulses for change, or face a purely defensive prospect, isolation and decadence. It is a point on which more than one question can certainly be raised. And it is a point on which, indeed, discussion has begun.

From the strictly political point of view, however, it is now difficult to understand, in light of the proposal for the "big coalition," the meaning of the policy followed by the PCI in recent years. If this is really the main objective and the ultimate outcome of the Communist policy, that is, the return to a situation of the national unity type and thus to an understanding with the DC and with the variation of a privileged relationship with the PSI, one cannot understand, given an embracive government such as the DC and the PSI, and in addition a socialist at the helm, why that policy has followed the line with which everyone is familiar, that is, opposition without respite and without concessions, rather than trying to determine, through a conditioned support, the progressive conditions for a broader understanding.

However, imagining that a "big coalition" could or might emerge from a self-

criticism and change by others, if not directly through abandonment of the Socialist "new course," which has pointed out directions that are valid not just for the PSI, is not making policy but fantasizing policy.

The "big coalition," in both Austria and Germany, was the combination of a strong Christian democratic party and a big social democratic party. A different thing from the "national unity." In Italy we have a strong Christian democratic party, but we do not have, or do not yet have, a big social-democratic or liberal-socialist force.

In short, what Natta is talking about today would not be a "big coalition" but a "heavy coalition."

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CSO: 3528/45

## PRIME MINISTER SEEN FORCED TO REORGANIZE OR RESIGN

Lisbon EXPRESSO in Portuguese 29 Nov 86 p 3

[Article by Jose Antonio Saraiva]

[Text] Some time ago we wrote that Cavaco Silva's request for a vote of confidence 7 months after the appointment of the cabinet constituted an error.

Today, this error can plainly be seen.

It has become clear that the prime minister was not using his time well. He moved too fast.

He provoked clashes with the Parliament too frequently.

He appealed to the country too often.

He used a great deal of ammunition in a short space of time.

He acted, in fact, as if he had only a year, rather than 4, ahead of him.

And if this frenetic pace he imposed on government action enabled him to achieve very great popularity speedily, it also used up trump cards and energy which should have been husbanded, since they might be in short supply later.

This was what happened.

One wonders how Cavaco Silva will respond to the attitude of the Parliament, which forced the withdrawal of the Medium-Term Plan, defeated the 1987 Plan, rejected the measures proposed for state communications, and may demand changes in the budget.

What answer can the government offer to this, without repeating itself, in other words without saying things it has already said or making charges it has already made?

What new response will Cavaco Silva find to give?

He has none.

To speak the truth, the prime minister is in a position in which he can only adopt one of two attitudes: either he will provoke a crisis and resign, or he will retreat.

The dramatization of the political crisis and the resignation of the government would be the "logical" solution, given the line of action Cavaco Silva has pursued to date.

But what would this resolve?

Since it is probable that the president of the republic would in such a case convoke new elections, and since it is probable that the PSD would win them, and since it is probable that it would not win an absolute majority--what would the Social Democratic leader do then?

Would he form a new minority government?

But what would be the logic in having the party provoke a crisis leading to elections, only to return subsequently to the earlier situation?

And what chance would Cavaco Silva have of finding another solution, in view of the fact that his relations with the CDS are not good, that an alliance with the PRD would not be welcomed by many of his supporters and above all, in view of the fact that the prime minister prefers single-party government (more homogeneous and more effective than a coalition, to the extent that everything depends on a single party and therefore on a single political leadership)?

All this taken together indicates that the head of the cabinet would probably gain nothing from a crisis and the holding of new legislative elections, because they would not substantially alter the existing situation.

It remains for Cavaco Silva, therefore, to retreat, pretending to ignore the defeats he has suffered in the Parliament.

Except that such a retreat presumes a response, in the short run.

And what response could this be other than the reorganization of the cabinet?

This would resolve two problems in a single stroke.

On the one hand, it would breathe new life into the cabinet, giving it back the freshness it is beginning to lose.

And on the other hand, it could put an end to certain signs of division which are beginning to be visible within it.

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CSO:3542/26

## PSD'S CAVACO SILVA: PYRRHIC VICTORY, DEFEAT SEEN

## Gains Masking Defeat

Lisbon O JORNAL in Portuguese 5-11 Dec 86 p 7

[Commentary by Augusto Abelaira: "Black Humor"]

[Text] Rightly seen, Cavaco Silva's sudden appearance in Portuguese political life (good can come from evil) represented a big benefit for the Left. In fact, and very likely, Cavaco Silva closed a door that was already ajar: that leading to the institutionalization of certain "structural reforms" being called for by the PSD. It was ajar thanks to the patient negotiation with which Mota Pinto and Rui Machete had finally overcome the resistance of a PS [Socialist Party] eager to save the coalition and concerned with the presidential elections. Haste, eagerness, and arrogance led Cavaco Silva to an apparent victory and into a minority government which, because he overestimated its power and cultivated an unrealistic state of isolation, has been unable to negotiate--in other words, to achieve--that which Mota Pinto and Rui Machete would have accomplished eventually through infinite patience. With the PS-PSD government and without Cavaco Silva, many of the objectives sought by the CIP [Portuguese Industry Confederation] and many of the so-called structural reforms would have been implemented by now. And with Cavaco Silva, they have not been. Nor, probably, will they be. The mirage of an absolute majority for the PSD in coming elections once appeared likely to become a reality, but now, judging from the latest polls, it seems highly improbable. And because of that, having sold out unreservedly to the unwholesome and unrealistic will of Cavaco Silva (a man who has no doubts and rarely feels that he has made a mistake), the Right has gotten itself into a mess, at least temporarily. That would be obvious if people (I include myself) believed a little in history, which, while not teaching everything, can teach some things: doubts do not guarantee success, but they do limit the margin of error, unless one has been favored by the gods, which is rare. With irrational self-confidence, Cavaco Silva provoked a crisis, brought down a government, forced elections, won them and managed to become prime minister (no one will take that personal victory away from him), and even achieved an enviable level of popularity. But since all of that was done not merely for the pleasure of winning a personal victory (I give Cavaco Silva that), but with the objective of carrying out the said structural reforms, which

supposedly would have been impossible for the PS-PSD coalition, and since doing so required winning an absolute majority, the victory concealed a real defeat. From the Right's point of view, Cavaco Silva's success was only apparent. By winning, the PSD and the Right lost. They lost that which was virtually already achieved.

And let it not be argued that Mota Pinto and Rui Machete would not have achieved everything. They would have achieved a lot--they would have achieved something. Cavaco Silva has achieved nothing if his goal was to carry out the structural reforms in question.

The moral (provisional, of course) to be drawn from Cavaco Silva's conduct is easy to see, and it lies in his failure to realize that he is living in a parliamentary democracy. As moderates, conciliators, and democrats, Mota Pinto and Rui Machete knew that in a democracy, no one has absolute power--that being possible only in a dictatorship. Power is always dependent on other powers, and patient negotiation is necessary. Cavaco Silva--being megalomaniac, authoritarian, and incapable of perceiving those realities--can only do one thing, and that is to complain: I am not doing it because they won't let me; if they let me, I would do it. That is the excuse of a slow payer: a politician's talent lies precisely in his ability to get others to let him do something--to overcome resistance.

Cavaco Silva cannot where Rui Machete could have--and he cannot because his victory was only apparent or because he did not know how to use it. Unaware of Cartesian doubt, he was convinced that there were no other powers and that it was possible for him to achieve absolute power. An insane illusion: the majority in the country is not willing to accommodate him, and neither, apparently, is it willing to give him the 42 percent which, while not signifying a real majority, would give him a majority in Parliament. That objective may not be impossible today, but it seems highly unlikely.

And foolishly, the Right let itself be impressed by that siren song. It bet everything to win everything, and it lost whatever--great or small--was within its grasp.

For my part, and I am not being sarcastic at all, I hope that the Right will continue to back Cavaco Silva and fail to see the mistake it has made: that it will continue to support him without realizing that realism called for the patience and moderation of Mota Pinto and Rui Machete. I am not being sarcastic when I say that I want Cavaco Silva's government to stay in office for many long years. With his government in power, the door to the Right's big structural reforms will be closed, and the annoyance of seeing him on television with his borrowed smile is something we can easily bear.

I confess my apprehension at the thought of a leftwing government engaging in affable dialogue with a less arrogant PSD. The door would again be ajar. Plunged into a major and understandable crisis (it would be stupid not to plunge into that crisis), the Left is confused and overwhelmed by the new situation and does not yet know what lessons to learn from it. In its confusion, it might make hasty concessions--precisely because it realizes that

today's world is no longer the world of yesterday. And its awareness that a number of dogmas led it in the past to spurn certain conclusions reached by the Right--conclusions that were in fact well founded--is bound to render it fragile, permissive, and defenseless. And sometimes unable to see the boundary separating it from the Right. More accurately, it is unable to construct that boundary ideologically. This will be true especially if it comes to power--as is proven by all the leftwing governments which West Europe has known in recent years and which, seen from Sirius (and it is not necessary to go that far), are hard to distinguish from rightwing governments except in the language they use. Far from deserving sarcastic criticism, that state of affairs calls for considerable reflection. But not just the sort of reflection that makes the Left permissive and fragile without a compass.

Will the convention being sponsored by the PS, but with participation by people from other areas as well (from the MDP [Portuguese Democratic Movement] and even the PRD [Democratic Renewal Party]) provide some answers? Or will everyone leave that convention just as he entered it--with the same personal certainties (the certainties produced by uncertainty)?

#### Failures Listed

Lisbon DIARIO DE NOTICIAS in Portuguese 30 Nov 86 p 7

[Commentary by Antonio Barreto: "Cavaco Silva's Defeats"]

[Text] The magic is over. When the prime minister talks about reforms, doubts increase. The mystery has disappeared. Few people feel any longer that there are plans or energy behind the words. The staging is beginning to show its workmanship, and the beautiful window dressing is fading and gradually collapsing. After 1 year, it is finally being realized that this prime minister is like the others. Will it be realized within a year that he is worse?

It is clear today that the government has lost the initiative. It is continuing to keep up appearances on television and to announce successive increases in benefits as part of an avowed preelection strategy. But it no longer has the real political initiative that it has been promising for a year. Contrary to initial expectations, the prime minister has discovered that he has no control over the moment of dissolution or the timing of elections. And since he also did not determine the parliamentary majority or the timing of the government's fall, that discovery is causing the most serious depression: losing the power to decide one's own destiny is not cause for optimism.

The apparent energy and deceptive determination of the head of the government are not producing results. That may not detract from his talents, but it does add to his defeats. Even his friends, admirers, and supporters, including daily and weekly newspapers, are calling attention to that fact and not hiding their frustration. Those who support him want results, and they are not interested in the means used--whether dialogue or violence--they just want results. Political and psychological weariness is the response to a vacuum.

The prime minister has piled up serious defeats in the space of a few weeks. His annual plan was rejected by Parliament. And his medium-term plan was roundly flunked by the deputies and by public opinion even before the official debate began.

Parallel with that, it happened that some of the government's firmest intentions misfired completely. The government was unable to carry out or even begin the reforms it had announced: the public sector, labor legislation, agrarian supervision and reform, the media, and especially--I emphasize especially--tax reform.

Foreign policy continues to be colorless and even confused, as was shown, for example, by the unsuccessful PEDIP. The recent abstention during the UN vote on the South Atlantic disturbed the Portuguese-speaking countries and was even viewed with surprise by our European allies. To the Portuguese, and this is the important thing, the government's attitude is simply incomprehensible.

The negotiations with China are evidently continuing. The Portuguese Government's position is not known, and this may mean that out of weakness, it is not seeking the support of public opinion. Or that of Parliament, either, by the way, since the government does not have the courage to debate the issue of Macao with Parliament.

The government has also suffered defeats in its various confrontations with officials in the autonomous regions over flags, status, the role of the Armed Forces, the incredible "regional mourning," and their inclinations to have a regional foreign policy of their own. It is not only the party chairman who is having difficulties with some local dignitaries. The authority of the prime minister of Portugal is also being challenged in parts of the country.

At the same time that it is accumulating defeats, the government is also demonstrating that it is not a real government. In other words, it does not constitute a team: a solitary prime minister does not compensate for collective effort. Even worse, such crucial ministries as Defense, Foreign Affairs, and Internal Administration are showing impressive passivity. And such "operational" ministries as Industry, Agriculture, and Labor are demonstrating confusion in their framing of reforms and impotence in the art of change. The prime minister has let himself be driven to the wall: he is not implementing reforms because he has no one to do it, and he is not reshuffling the cabinet because he considers that to be a defeat.

Obviously, he puts the blame on Parliament. Supposedly, the opposition is not letting him do anything. I must admit that that argument worked for a while. But no longer. What is expected of a minority government is that it look for every imaginable means and pursue every possible path to carry out reforms, take appropriate steps, and govern effectively. Instead of that, the prime minister made it a rule from the very first day that negotiation, compromise, and dialogue are always defeats. That kind of "machismo" is deadly: he can neither engage in dialogue nor negotiate. And without dialogue and negotiation, he is washed up.

The prime minister promised to walk a razor's edge and to govern, from victory to victory, with a tight rope. But mainly, those victories have been only apparent and illusory. People believe that the prime minister has good luck, particularly in financial and international matters. But they are beginning to doubt that he deserves it.

It is known that he has not managed to carry out or even begin any structural reforms. Almost everything is behind schedule or has been postponed, and this is especially true of taxes, the conversion of industry, and investment incentives. It is true, however, that as far as the social and economic situation is concerned, the government has adopted visible measures, particularly those leading to increases in social benefits and subsidies. I will not criticize it for that, nor will I emphasize the propagandistic purposes behind those measures. Even though the benefits are only symbolic in some cases, the truth is that the beneficiaries deserve them. And a lot more besides.

To this I will add the establishment of the social agreement on incomes and prices for 1987. That is the most outstanding event in this government's term of office to date. But it was due more to the UGT [General Union of Workers] than to the government, and it is fair to emphasize this.

The prime minister and the government are approaching a difficult period that they have brought on themselves. By rejecting dialogue, compromise, and consensus, Cavaco Silva has renounced several virtues of democracy and just as many weapons in the arsenal of any responsible national political leader. Oddly, he is handing the opposition an extraordinary trump card or confirming one of its arguments: without the Socialists or without the democratic Left, reforms are not possible.

11798  
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## CDS CONFRONTED WITH SERIOUS MANAGEMENT DECISIONS

Lisbon SEMANARIO in Portuguese 29 Nov 86 p 13

[Article by R.S.G.]

[Excerpts] Forces in the CDS [Social Democratic Center Party] are sizing each other up, and the (un)avoidable change may occur at any moment. One thing is certain: Adriano Moreira will have to make substantial changes in his team if he is to continue, or, more accurately, prolong his leadership.

The dissatisfaction with some members of Adriano Moreira's team who "are dragging the party toward rightwing political encystment" is the reason for major internal stirrings. Incapable of taking a strong stand in the face of pressures from all sides, Adriano Moreira finds himself in a situation in which he will have to choose between asking for help and continuing to protect individuals who "would not be missed if they disappeared from party life." Since the congress in Porto, there has been a constant challenging of the current leadership's capacity for dialogue both with the country and with its preferred partner (in the coalition yearned for by the centrists), which is the PSD [Social Democratic Party]. It is true that the prevailing opinion in the PSD is that Adriano Moreira will have to alter his internal strategy quickly because consensus will never be reached with the current leadership.

#### Internal Challenge

The fact that "this CDS is not going anywhere" leads some of the more pessimistic (or realistic) observers to predict that the "death of the CDS is getting closer and closer." Incapable of building bridges between itself and any other political force, refusing to allow its party cadres to evolve, and having "political employees" in its midst, the CDS is in danger of being swept out of Portuguese political life for good.

Two groups are probably watching to see how the situation will develop.

The growing challenge to Adriano's men is being taken advantage of by the so-called Pires supporters. Headed by Gomes de Pinho and exerting great influence in the CDS parliamentary group, they are making efforts behind the scenes to feed the discontent and draw dividends from it. Lucas Pires is

directing their efforts from a distance. It should be recalled that when he resigned following the defeat suffered in the last elections, Lucas Pires spoke up and left open the possibility that he "would be back."

#### Stirrings in District Branches

Also paying close attention to all this are a certain number of individuals who were in the background until recently but who now, in response to the Pires offensive, may set loose a natural reaction of support for the party. Several district branches are involved with that group, whose action can be regarded as an effort "to find solutions to avoid a profound crisis in the CDS which at this juncture might be fatal."

In the opinion of many observers, Adriano Moreira alone will probably have to re-create within the CDS a "public image" that he can "sell" to the country (just as the PSD did). It is inevitable that doing so will require "chopping off a few heads in the party, and Adriano may not be capable of doing that."

The future of the CDS depends on the public stand which the leader will soon have to take within the party. As dissatisfaction increases, alternatives not yet adopted but growing under the surface will become stronger. Adriano Moreira will have to use a lot of good sense and political firmness to "rescue the party from the slow death" which, although it began before his time, may reach its conclusion under his leadership.

11798  
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## FOREIGN POLICY OF PRESENT GOVERNMENT CRITICIZED

Lisbon EXPRESSO in Portuguese 29 Nov 86 p 8

[Editorial by J.A.S.: "The RENAMO in Lisbon"]

[Text] The least that could be said about the foreign policy of the present government is that it has not been very clear.

In fact, one cannot be sure what its basic vectors or its priorities are, and even the positions adopted by the Ministry of Foreign Affairs are not always very explicit.

In this respect, the government headed by Cavaco Silva has shown itself to be very different from that Sa Carneiro headed.

The first AD government had a polemic but clear position with regard to the major international issues: total solidarity with the United States (manifested in the boycott of the Olympics in Moscow, for example) and pragmatism in the strengthening of the links with the former colonies in Africa.

The Samora Machel's praise of Sa Carneiro, despite the distance which separated the two men, is known to all.

Now, however, everything seems more confused.

The United States, Europe, Africa, the Arab countries, Brazil and Spain spin like a roulette wheel before the eyes of the Portuguese government, but it is impossible to see exactly what its position is and what relations it wants to establish with each of these nations or regions in the world.

The progress which had been made in overcoming certain misunderstandings with the Portuguese-speaking African nations has probably been lost.

The interests of Portuguese citizens who find themselves threatened abroad also appear to be poorly defended.

What is the government doing, for example, to defend the Portuguese citizens who have been kidnapped by the RENAMO in Mozambique?

What specific actions has it pursued to secure their freedom? Not many, at least as far as is known. Now this and so many other things are surprising since it is known that the defense, using every resource, of its citizens in similar circumstances is known to be a point of honor for each of the nations in the world.

But the matter takes on even odder proportions where this government is concerned. While the fate or destiny of the Portuguese citizens currently being held by the RENAMO is not known, members or leaders of that movement, clearly identified as such, are moving about freely in Lisbon, waging open propaganda campaignss and obtaining government jobs.

No one is asking that Portugal act like a terrorist nation and retaliate against the sympathizers with the resistance in Mozambique who live in the Portuguese capital.

The issue is a different one.

The problem is that the RENAMO, because of the simple fact that it has attacked Portuguese citizens and held them hostage, must be regarded as a movement in conflict with the Portuguese state.

Under these conditions, the government cannot fail to assume a harsh position, and at a minimum, it must refuse to allow the RENAMO to operate in Portugal almost like a "friendly organization" which the authorities should tolerate, if not sponsor.

Tolerance has its limits.

In the case in question, these limits have already been vastly exceeded.

5157  
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## RECOMMENDATIONS OF DEMOCRATIC LEFT CONVENTION SUMMARIZED

Lisbon O JORNAL in Portuguese 12-18 Dec 86 pp 10, 12

[Article by Henrique Monteiro]

[Text] The most notable fact about the Democratic Left Convention was that it pleased all of the sectors present. From the "liberals" to the "archaeological faction," no one challenged the importance of the gathering. In the midst of this contentment, the PS struck a balance and found that it was the biggest winner.

In the final communique drafted by Guilherme de Oliveira Martins and Helena Roseta and approved at the final session, the various opinions which intersected at the convention clashed. But there was a direction in this communique. It was based on the established fact (developed by Ana Maria Alves) that all of the major demands of the left in the past 200 years come down today to a demand for humanity, and that it is necessary now to defend new demands. And, with the collapse of the "dominance of economics and determinism in the infrastructure," they have to do more with the individual and less with the collective.

The individual, the love of risk and the minorities might be regarded as the main winners at this convention. The defeated elements included dogmatism, rationalist exaggeration and the theories urging more state action.

This synthesis, like any other, oversteps the truth. It is designed, however, to provide an interpretation of the conclusions of the convention.

The approximately 200 speeches and 40 documents read reveal no single direction. With a range extending from philosophical discourses, such as those of Professor Eduardo Lourenco, to technical statements like that of Azevedo Gomes, the forum had a little of everything, as was intended.

#### The Peculiarities of the Left

There could not fail to be some humor. Meneses Alves and Wanda Guimaraes spoke about political characteristics. The former undertook to describe the right wing, and the latter, the left. Wanda Guimaraes, a UGT trade unionist, was outspoken. "The left wing is boring" was the message in her statement.

"To be happy is reactionary," "to enjoy is terribly conservative," "to be a leftist is to be anguished," and a leftist is likely to be "fat, unhealthy, ugly and badly dressed."

Does this mean that not even the left wing itself can tolerate its peculiarities? Or that the left wing has ceased to like itself?

Many of the speakers attempted to answer this question. Natalia Correia criticized exaggerated rationalism and suggested that the left adopt "liberating expressions of life such as heart, soul, spirit, pleasure, dream, feeling and passion." Joao Carlos Espada of the Liberal Left Wing Club urged "a great explosion of creative individualism, linked with citizens' awareness." Boaventura Sousa Santos, who is regarded as the most advanced of the representatives of the extreme left wing (the so-called "archaeological faction") said that "The process of leftist renewal should not involve fear of discussion of the points of agreement with the right wing. A leftist does not have to blame himself for his 'rightist thoughts' when, for example, he becomes excessively emotional over a national triumph (athletic or otherwise)."

#### Collapse of the Myths

Ana Maria Alves, a former leader of the MDP/CDE, from which she resigned, also stated plainly that "It remains for the Portuguese left wing to take up ever more clearly the adamant defense of the smallest minority among the minorities, the individual."

This reassessment of the individual, casting the collective, as an expression dear to the left wing puts it, onto the "trash heap of history," may point toward a new path. Already, moreover, it is certain that the old myths of the left wing are collapsing.

In his short speech, Antonio Barreto defined some of these myths. One is the old dream of "changing man." For this organizer of the CED, this dream had become a "terrible justification for despotism." Another myth pertains to an overall and radical break with the past, with society as it exists. "All of the political experiments seeking total change, total revolution sometimes, were simply dictatorships." And furthermore, the prevalence of economics and determinism in the infrastructures has collapsed. The capacity of the state to reorganize society has been challenged.

Among the dying myths, one stands out--that which for many years justified unity on the left: antifascism. The convention buried it several feet deep. Ana Maria Alves said that "To confuse the Portuguese left wing today with antifascism is a gross error into which one can only slip if one is ultrasentimental or communist." And she further added derisively: "Adm America Tomas recently celebrated his 95th birthday sitting in a chair at his home--there are no political reasons for desiring its collapse." Antifascism "has fallen into the same ridicule as the Japanese soldier found in a jungle a few months ago, ready to fight because he did not know that World War II had ended."

## The Communist Wall

What reason then remains for the Democratic Left to ally itself with the communists? "None! Never should there be such an alliance," some said. But others were conciliatory.

Ana Maria Alves said further about the PCP that "It is the only enduring European movement with significant electoral support. The goals of the Democratic Left and those of the PCP in 1986 are totally different, and to confuse them is to confuse a democratic project with an authoritarian and conservative one." In the view of Joao Carlos Espada, "The democratic project is common to the democratic right and left wings. The opposition and the alternation between the left and the right are based on this fundamental agreement about the regime, and this agreement does not include either the communists or the fascists." In his view, the myth of the united left cannot be realized because the votes of the PCP are not additive, on the one hand, and on the other, "because the communists have built a wall between themselves and the democratic left which only the communists themselves can break down. This wall," he added, "is obviously the Berlin wall, which separates everything--trade union freedom from the militarization of the workers, mass consumption from poverty in basic goods, control over governments from control over the citizens."

Boaventura Sousa Santos said that although there are undemocratic leftist forces in Portugal, "It does not seem to me that this description will fit the PCP. The left," he said, "cannot be renewed without thinking of the renewal of the PCP." This is true although, he went on to say, nothing has been contributed to the renewal of the left to date by the intellectuals of the PCP. "We would like to put an end, finally, to the infernal dialectics of antifascism and anticomunism," Antonio Barreto said in turn.

And, something no one remembered to mention except Boaventura Sousa Santos, a professor on the Coimbra Faculty of Economics, to whom we have already referred, Marxism, after being banished from the PS program, was omitted from all of the speeches.

## The Left Wing and the Regime

The great question remaining is the problem of the culture of criticism and the culture of responsibility. In other words, does it serve the left wing to be in the opposition and to criticize, or is it better to govern and to define affirmative policies? Better still, does the left wing define itself as having a policy against the right wing or as having a policy for the country?

Barreto was very clear on this. "The left wing is the opposition." But... "Except that it does not suffice for it to oppose, for it must also know how to administer. Not like the right wing, not as they do, but without believing for a single second that we already know how, simply because we are who we are. Our errors are numerous enough to keep us free of any arrogance."

And Paulo Pedroso, a young man barely over 20, made the last great charge against the left--failure to know how to govern and living in the past. "The

left wing does not know what youth is. Its discourse has spoken to the young people of 20, 15 or 10 years ago." And although he is a member of the JS, he made an accusation. "It is not easy for a young person to be a leftist when it was a PS government which promulgated an administrative decree which practically put an end to the participation of the young people in school management; when it was a government in which the PS participated which approved the Term Contracts Law; when it was the PS which allowed young people to be systematically turned over to the right wing, under the government in which it was in coalition with the PSD."

The speech delivered by Vitor Constancio was a surprise. It was essentially ideological and cultural, and two major developments came out of it. One was the collapse of the idea that Constancio is purely a technician, and the other was the realization that this socialist leader is closely following and contributing to the great renewal debate undertaken by all of the socialist parties in Europe.

It is true that his address contained political messages as well. With this convention, the PS gained various assets, beginning with the intellectuals who were with the PRD in October of 1985 (such as Eduardo Lourenco and Prado Coelho) and were now attending a convention against which the PRD demonstrated, or yet again serving as a focus of discussion for three of the five members of the PSD Strategy Commission in 1980, for example—Loureiro Borges, Helena Roseta and Vasco Pulido Valente (of the Executive Commission of the CED, although he was absent, being in the United States).

But these were not the only sources of profit. The PCP itself admitted in the pages of AVANTE! that the convention was an important event, or many of the traditional "fellow travelers" and some of the unchallenged figures in the Portuguese left wing, even some of the April military leaders, would not have been there. And again, there was the idea of an open PS, encouraging debate, not seeking to control and revealing an ability to listen to and discuss with everyone—another aspect of this tremendous rate of profit for the socialists.

#### Constancio's Messages

The messages Constancio wanted to convey were found, however, in the last portion of his speech, and they were addressed exclusively to the PRD. The secretary general of the PS rejected temporary arrangements. "We truly want to defeat the right wing and not merely to replace it periodically. Thus we seek a solid alternative, one of freedom, because it is characterized by democracy and solidarity, because it is leftist."

Prior to this, Constancio, who spoke Sunday morning without major repercussions from his address in the press, was to make one of the most surprising statements at the convention, with the definition of nine principles for the renewal of the left wing.

The first involves recognition of the limitations on the efficiency of macroeconomic Keynesianism on the level of the nation-states, without lapsing into conservative monetarism.

The second principle demands acceptance of the challenge of the new technologies and the technological advance, with its tremendous liberating potential because it makes it possible to produce more with less effort and with diversified schedules.

The third principle involves abandonment of the concept of detailed economic planning and the adoption of the principles of strategic planning.

The fourth guideline calls for reducing the extent of nationalization and utilizing the regulatory role of the market, while facing up to the question of control of economic power.

The fifth principle calls for a campaign to reform trade unionism, so that it can move beyond mere short-term labor demands.

The sixth principle calls for acceptance of the positive side of the explosion of individualism.

The seventh calls for recognition of the primacy of the individual, who must have the right to his own initiative, creative expression and a penchant for risk. This requires a review of the aspects of the value of equality and greater emphasis on equality-autonomy.

The eighth guideline calls for definitive acceptance of the end of the great ideologies purporting to set forth the goal of history and the secret of the definitive model of society.

Finally, it will be necessary to accept the limitations on the efficiency of the state, to review the belief that response to crisis means more state action and that it cannot equally well come from greater initiative on the part of society.

In the view of this PS leader, this was also a momentous event in his personal affirmation, with a speech in which he defended the so-called modern concept of socialism and pleased all sectors in the PS, at a forum where he revealed a willingness to discuss ideas with the intellectuals of the left wing.

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## CONTINUING PS-PRD POLEMIC ANALYZED

Lisbon DIARIO DE NOTICIAS in Portuguese 29 Nov 86 p 6

[Editorial]

[Text] The polemic in which the PS and the PRD are presently opposed was more or less inevitable. Not only the polemic, but also the terms under which it is developing, which can be summarized in the mutual charge of objective complicity with the party in power.

The polemic was inevitable for the simple reason, noted repeatedly, that these are two political forces whose role it is to function in the same electoral space, whatever effort either one of them may make to create for itself an image of full autonomy. It was at the expense of the socialists' defeat that the renewal faction emerged on the political scene, and it is at the expense of the renewal faction that the socialists will be able to recover. Even without the well-known episodes which were at the root of the establishment of the PRD--the differences between various sectors and the then leader of the PS, Mario Soares, which came to be polarized with Ramalho Eanes as the focus--it would be hard to conceive of peaceful coexistence for two parties with these characteristics. There were those, naturally, who felt the contrary at a given point, that is to say they believed that close association would lead them toward convergence. It could even be said that this error was a factor in the struggle to establish the successor to Mario Soares, pushing Constancio toward an initial attitude which many regarded as temporizing. However, the facts serve to demonstrate that such an attitude could only end in the eclipse of the PS and its new leader by the PRD and Eanes. And the conflict developed, as was to be expected.

The terms under which it would develop were equally inevitable. This is because since both parties are in the opposition, their growth could only come about through a strategy involving moving away from the government. The PS opted for a clear demarcation from the very first, which explains its position in the more decisive debates in the Parliament. The PRD, in turn, adopted a supposedly sophisticated position, which apparently involves avoiding excessive enmity with a government which is popular and suggesting that more could be done than is being done. This was the formula chosen to allow a demarcation from the PS position and to avoid a seeming alliance with the executive branch. On that basis, logically, the situation could only develop

in the direction that it did. It is of interest to the PS to push the PRD back nearer the government. And it is of interest to the PRD to show that the attitude of the PS, which is formally in the opposition, is in practice inefficient.

Until a short time ago, all of this was true but in a still diffuse fashion. The problem became more complicated when the socialists, turning from the traditional accusations against the PRD to an effort to formalize bylaws based on the bipolarizing model defended earlier, forced the renewal faction to intensify its own defense. Constancio says, obviously, that it is his intention to negotiate when the constitutional revision is taken up. But this does not prevent the PRD, for public opinion purposes, from being ever less willing now whenever it is a question of making a government proposal viable, thus risking confirmation of the suspicions voiced about it.

For as long as the present parliamentary structure prevails, the picture will certainly not change significantly. What we might ask is whether this picture will or will not develop in the direction of extending the life of the government, or in the opposite direction. And the most that can be said about this is that in the votes on the budget and the plan, the PRD went to the very limit of the potential of the strategy which it drafted.

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CSO:3542/29

## IMPORTANT CHANGES REVEALED BY POLL ANALYZED

Lisbon SEMANARIO in Portuguese 29 Nov 86 pp 7-8

[Article by Rui Ramos]

[Text] While there were no significant changes between the poll taken in May and that taken in September, the opinion poll published today shows important new trends. Let us see who gained and who lost in this poll.

The great winner is obviously the PS, both because in absolute terms it has made a giant leap, with an increase from 24.8 percent to 31.3 percent, and because in relative terms, its rise was accompanied by almost total destruction for the PRD, which has now been reduced to a resistance of 5.8 percent. If we recall that a little more than a year ago, during the October 1985 elections, the two parties were almost tied, at the expense of the PS electorate, we can better see what this result means, in particular for the socialists.

The reader will ask how such a result was possible. First of all, this was because an extraordinary decline occurred in the percentage of those who were undecided. While during the earlier poll only 74.1 percent of those questioned who intended to vote knew how they would vote, 86.7 percent of those questioned in this poll had decided. Thus the PS is the great winner following the decisions made by those previously undecided, which should not surprise us if we bear in mind that it was precisely the electorate of this party which collapsed in the 1985 elections.

Secondly, the consolidation of the cultural strength of the Socialist Party, its attraction for voters very sensitive to its type of appeal, an electorate which seems to be reestablishing itself mechanically, was seen. The holding of the Convention of the Democratic Left may have contributed to a substantial cultural and political consolidation.

#### Two Moderate Parties

The second winner, despite everything, is the PSD. Political analysts know that under normal conditions, an electoral variation in excess of three fourths of a percent can be regarded as unusual. Now, the PSD has maintained a score in all of the polls this year varying between 35 and 36 percent, in other words 5 to 6 points above its electoral results in 1985.

The expectation that the PSD might achieve a majority (42-43 percent) alone is unrealistic, and in the end introduces some frustration into results which, in and of themselves, are remarkable.

The third winner in the poll is the APU, which rose above its usual ceiling of 15 percent to 16.8 percent, after a bitter decline in earlier polls to 14 percent. It should be noted that the poll was taken during the week of the crisis in the MDP/CDE, so that it can be concluded that the pathetic rebellion of Dr Tengarrinha may have contributed to mobilizing the communist electorate.

The fourth winner is not a party, but a fact--bipolarization. First "invented" by Sa Carneiro and "recreated" now by the slow movement of public opinion itself, it has become a reality in Portuguese society.

The PSD is hegemonizing the entire right-wing sector, while the PS is hegemonizing the whole conservative bloc on the left. Without bipolarization, the country has no stability, and without clear hegemony at each of the two extremes, no bipolarization is possible. This poll provides a guarantee that bipolarization has developed, and, happily for the system, two moderate parties are its protagonists.

The losers this weekend are obviously the PRD and the CDS.

#### What Sa Carneiro Would Say

The greatest defeat was suffered by the renewal faction, not only because it has now seen a reduction to only a third of its 1985 electorate, but also, and this is a major aggravation, because its present popularity level (5.8 percent) was noted when Eanes had already joined the party, with the continuing benefits, despite the indications of early fatigue, of all of the "states of grace" to which the political manuals refer.

The CDS also suffered an overwhelming loss of almost half of its voters (down from 9.8 to 5.2 percent), and if Lucas Pires is beating his breast about a drop from 13 to 10 percent, Adriano Moreira must be awaiting his moment of truth with increasing apprehension.

It should be noted, however, that the decline for the CDS did not benefit the PSD, which might either mean that a percentage of the centrist electorate shifting over to Cavaco Silva is hesitating for now, or it might mean that there is a percentage which has moved drastically to the right and wants to express its objections to the moderation of Adriano Moreira since October, flattering the PSD in the name of an impossible AD (reflected in the impressive percentage of those questioned--5.2 percent--who said they would cast blank votes if elections were held now).

The main loser in this poll, however, is stability. With the current electoral system, the results seen would mean that if new elections were held, everything would come out the same. In other words, the PSD would again govern alone as a minority, the PS would head the opposition, the PRD would be

pursuing the negotiations of its president, and the APU would rub its hands in satisfaction, certain that there would be no political stability nor the conditions necessary for effecting any basic reforms.

Or, as Sa Carneiro would put it, there would be an impasse.

#### Distribution of Votes

	1985 Election Results	May 1986 Poll *	September 1986 Poll *	November 1986 Poll *
PSD	29.8	35.0	35.6	35.6
PS	20.8	25.6	24.8	31.3
APU	15.6	14.6	14.8	16.8
PRD	18.0	12.3	9.2	5.8
CDS	9.7	9.6	9.8	5.2
Blank votes	2.6	-	3.9	5.2

\*Note: The results obtained for the successive polls were extrapolated, based solely on the established intentions for voting in each of them.

#### Political Profile of Those Interviewed

	Party Voted for in October 1985	1985 Election Results	Party Choice for Vote Today
PSD	28.9	29.8	35.6
PS	20.0	20.8	31.3
APU	17.2	15.6	16.8
PRD	19.9	18.0	5.8
CDS	10.0	9.7	5.2

Who were the 599 persons interviewed by Norma? For what parties did they vote in the 1985 elections? The above table shows the political profile of those interviewed, and it can be seen that it reflects the political profile of the country as seen in the elections last year almost exactly. The PSD and the PS, for which the percentage of voters is lower than the percentage of votes obtained in the elections, "suffered" slightly.

#### Ten Questions Raised by the Poll

1. Based on the poll results and with a different majority electoral system, the PSD would have an absolute majority alone, as would the PS and the PRD together. How can this "minimum of minimums" be achieved in a democracy, with stable majority governments and legislature? Who would lead this battle and how, beginning when, with what intensity, and risking what political costs? Would it be Cavaco Silva, Freitas do Amaral, both, SEMANARIO, the son of Dr Mario Soares, or the heterogeneous Electoral Code Commission?
2. With 35.6 percent, which is far from a majority, what will Cavaco Silva do? Will he defend the government and himself with it, hasten the crisis and resume the major guidelines of struggle for the PSD (and the right wing), or will he negotiate the system with the PRD, the government and the PS?

If Elections Were Held Today in Six Cities

	Lisbon	Oporto	Coimbra	Evora	Vila Real	Viseu
CDS	1.6	10.1	6.2	0.3	9.8	14.9
PSD	32.9	28.1	25.3	25.3	27.4	40.3
PS	26.7	33.2	15.4	12.9	22.2	14.1
PRD	6.0	-	13.1	15.2	4.8	4.5
APU	16.7	10.0	10.2	22.3	21.8	4.7
Others	-	-	-	-	-	-
Blank votes	4.7	5.4	1.4	7.6	-	2.1
Don't know	7.9	7.0	12.5	16.4	7.8	9.5
Didn't answer	3.4	6.2	15.9	-	6.1	9.9

**Technical Characteristics**

The group interviewed was made up of individuals over 18 years of age living in the cities of Lisbon, Oporto, Coimbra, Evora, Vila Real and Viseu. Questions were asked of a valid sampling of 599 individuals, with no proportional relation on the city level, but weighted in the data-processing phase.

The sampling pattern involved the random route method for choosing households and the Kish method for selecting the individual (in the home). The technique used was direct personal interviewing with a structured questionnaire. As to field work, the interviews took place between 16 and 20 November 1986. The margin of error on the overall level was +4 percent with a reliability level of 95 percent, with p=50 percent. The poll was conducted by Norma, S.A, the Portuguese affiliate of Gallup International.

3. Without having a majority alone, what strategy will the PSD pursue in the event of early elections? Will it strengthen its minority by trying to win the minority championship from the PS, or will it pursue a majority strategy?

4. If the latter, with whom will it attempt to do so? With Adriano Moreira's CDS, the "modern left" but old right wing? Or without (or against) this CDS, with Freitas do Amaral and his main supporters, with an opening to the left and some sectors affiliated with Mario Soares, among others the Liberal Left? And would Cavaco + Freitas + Liberal Left - Adriano Moreira produce a majority (43 percent)? And if so, with a majority against Adriano Moreira's CDS, would the supporters of Freitas do Amaral who are members of that party bring about the "final schism" within the CDS by resigning?

5. From 16 percent in the days of Freitas do Amaral, despite competition from Sa Carneiro, the CDS has dropped to 5.2 percent now. What is the institutional weight of the CDS? What is the lower limit beyond which it will not drop, whoever its leader may be? What is the weight of the right wing without the CDS?

6. And what will Adriano Moreira do? Will he resist the right wing increasingly? Will he negotiate with whoever "treats him better?" Will he

resign because he feels he is not, or is less well, understood? And if he leaves the CDS, would he do so before the elections, making a PSD-CDS agreement more viable?

7. What will Constancio do with 31.3 percent? In the short run, will he be encouraged to run for office in 1987, concealing the support of the PC, or will he speed up elections in order to complete the liquidation of Eanes? In the event of early elections, would he even so contemplate a leftist convergence, excluding the PC? And will he change the electoral system, now that he is separated by 4.4 percent from Cavaco, and this distance could also mean a majority?

8. And will Eanes understand the bipolarization of the country and why his score became 5.8 percent? Will he "swing to the left" and "draft an alternative," or will he negotiate as much of the legislature as possible with the PSD, rejoicing in the illusory 18 percent?

9. And how will Soares participate in the crisis? Will he become increasingly "Eanized" and enigmatic? Will he risk his own opinion? Will he surrender the government to Constancio if asked, despite the support of the PC and paying the price to the MASP? Will he give the election to Cavaco, if asked, or would he only do so if forced by political pressure (like Eanes with Sa Carneiro)?

10. What will 1987 be like? Like 1977 (Cavaco governing with a minority) or like 1978 (with Cavaco falling and Soares trying other governments)? Or like 1979 (with Cavaco departing and forcing Soares toward elections, sooner or later)?

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## OZAL SPEECH AT 'TURKEY AND EUROPE' CONFERENCE

Istanbul HURRIYET in Turkish 7 Oct 86 pp 3,19

[Text] Speaking at a conference in Istanbul jointly organized by the INTERNATIONAL HERAL TRIBUNE, the Paris-based International Relations Atlantic Institute and the Turkish Foreign Policy Institute, Prime Minister Turgut Ozal said that Turkish-EEC relations are developing to Turkey's "disadvantage." Ozal said: "It is inevitable that Turkey take its rightful place in Europe. I am hoping that this legitimate right will be accepted by everyone." Stating that in relations with Europe his government's goal is "full membership in the EEC," Ozal added: "The time has come to become a full part of Europe." The seminar entitled "Turkey and Europe: An Economic and Political View" began at the Hilton Hotel yesterday. In his opening speech, Foreign Policy Institute Director Seyfi Tashan said: "The consensus that Turkey is an inseparable part of Europe's defense has still not been broken. However, integration in defense cannot be separated from economic and political integration."

Speaking at the conference, which was attended by nearly 100 Turkish and foreign delegates, Prime Minister Ozal noted that Turkey is one of the founder members of the Council of Europe and the OECD and that it has been part of NATO since 1952. He continued:

"However, it is a fact that the cooperation in defense must also be practiced in the economic domain. It was with that understanding that Turkey signed the Ankara Treaty in 1963 with the aim of becoming a full member of the Community. This is not a casual choice; it indicates the Turks' desire to consolidate their place in the West and to reinforce human rights and the basic values of democracy."

Speaking in English, Ozal said that his party has brought inflation under control, has introduced more realistic currency exchange rates, has restored real and positive interest rates and has liberalized the trade regime. Ozal stated: "We worked to open up our economy to the outside world and to integrate with it. But that has not been easy." He added:

"When one examines economic relations between Turkey and the Community, one finds a negative balance. Today, the Community is asking Turkey to lower its customs duties and to establish a customs union.

"However, we cannot disregard the fact that the financial protocol between the two sides has not worked since 1980. Meanwhile, the only move made on the issue of free movement of workers has been backwards. In the last 6 years, no progress has been made on the implementation of agricultural policies. Although we want the establishment of a customs union between Turkey and the Community, in view of these conditions we now know that that alone would not be enough. From that standpoint, it is inevitable that Turkey take its rightful place in Europe. I am hoping that this legitimate right will be accepted by everyone."

Stating that his government's policies have created a "free market economy" similar to--if not "more liberal" than--Europe's economy, Ozal said: "Turkey's membership in the EEC will mean that a young and dynamic population of 50 million--which will soon become 100 percent literate--and a country as large as France or the FRG will become part of Europe." Ozal continued:

"The time has come to ask whether our allies and friends are prepared to see Turkey as an equal partner. Turkey cannot accept being a sideline country and being treated as such. With an affirmative and definite answer to this question we can set the course and means to achieve our goals. Only through such determination can we overcome the difficulties of today and plan for tomorrow."

After his speech Ozal replied to questions by Turkish and foreign delegates. The Prime Minister was asked: "Would Turkey drop its demand for freedom of movement for its workers if it was granted certain other rights?" Ozal replied: "Turkey wants full membership in the EEC. If Turkey is asked to postpone this right, then Turkey's interests must be appeased." In reply to another question, Ozal said: "Turkey and Greece joined NATO together. In order to resolve outstanding problems between them, they must be in the same group and on the same ship."

In response to another question, Ozal said: "Nearly 70 to 75 percent of all Turkish industrial products can compete in European markets under normal conditions. However, I do not know if we can achieve an integration with Europe in 10 to 15 years."

The "Turkey and Europe" conference will end tomorrow.

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## PROSPECTS FOR CHANGE IN GOVERNMENT EXAMINED

Istanbul MILLIYET in Turkish 6 Oct 86 p 8

[*"Telex"* column by Teoman Erel: *"The Biggest Change"*]

[Text] The newspapers have been carrying large headlines about change: The leadership of the main opposition party has changed. Changes are expected in the cabinet. The leadership of the Motherland Party [MP] may change. Change is expected in agricultural policy. The government is considering whether to change its price hike policies.

The proponents of the 24 January decisions are asking: "What is happening? Is there a crisis?"

In fact, the 24 January-12 September alliance, which supported each other by their economic and political colors through a depoliticization policy, is experiencing its most severe upheaval. The mass-propagated belief that "it is too late," that "nothing can be done" and that "this system will always remain the same" has cracked.

When 68 percent of the voters said "no" they realized that destiny has changed course.

**"Therefore, it can be done."**

Meanwhile, the biggest change brought about by the elections is the revitalization of the idea that "change is possible."

This positive indication which shows that democracy has begun to work may--strangely--mean "crisis" for some.

Barber Conable, the president of the World Bank--where Turgut Ozal worked in the past--said in his conversation with Osman Ulagay:

"The IMF comes into play in serious crisis situations and emphasizes short-term stability programs and austerity measures. Naturally, such measures have a very high social cost and the IMF is blamed. We know the vicious circle of austerity-crisis-additional-austerity-new crisis."

Of course, Ozal also knew about this impasse.

However, he did not apparently expect it in the autumn of 1986. A few years ago during a Ramadan fast breaking dinner we asked him whether his program would be shaken if the political scene became more lively and the electorate began to make economic and social demands.

He said: "We will think about that when the time comes."

Now "the time" has come; it is here. Ozal is thinking.

MP Assembly group leader Haydar Ozalp says: "Because the nation has warned him. We have lost voter support. It would be a mistake to deny that. What is important is to determine what the mistakes are."

If the MP assesses its mistakes correctly as Ozalp proposes, taking practical measures will be the next step.

And that is where the problems will begin.

Let us assume that they courageously determined that they burdened the workers, the peasants, the civil servants, the retirees and the small businessmen with too many sacrifices, that they were excessively generous toward the privileged class and the outside world and that this led to resentment among the voters.

Will they then be able to make the necessary changes?

Will they be able to shift the sacrifices on to some holding companies which are pleased with the current situation, tax evaders and those who live on interest without working, while channeling some of the wealth to the impatient majority of voters?

TUSIAD [Turkish Industrialists' and Businessmen's Association] President Sakip Sabanci does not think such a development is likely.

Sabanci says: "As long as Turkey's current conditions persist, the price hikes will continue. The opposition will always seek something new while the government will always prefer to stay its course."

The TUSIAD president's prediction may come out to be true. In other words, the government may appear to be making changes without making any real changes in the distribution of wealth.

But then nobody can hold back the voters.

When our people shifted its preference slightly toward nongovernment parties it realized by experience the changes that can be brought about. It will use this power.

Could Ozal now be explaining to the IMF and similar circles in a threatening way that our people have tasted change?

Perhaps he is saying: "You have seen the resentment of the voters at the by-elections. If you do not give me more assistance you should expect bigger changes."

The truth is that Demirel or Inonu may rise to power. Those who do not heed the IMF's advice as much as Ozal does may very well win the support of the majority of the voters. A crisis has officially begun for the IMF-24 January-12 September alliance. Should Ozal put his soft hands in his pocket, compromise with Demirel or should he imperil the "expensive" system known as democracy?

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## PROBLEMS OF RURAL EXODUS EXAMINED

Lisbon DIARIO DE NOTICIAS in Portuguese 1 Dec 86 p 15

[Excerpt] There are ever fewer farmers in Minho, the young people are leaving the rural sector, farm production is dropping, and there is an increasing number of abandoned or underutilized properties with every passing year. These facts were revealed at yet another congressional session on Minho held in Viana do Castelo, which ends today.

Farm technicians, ethnographers, historians and professors, meeting together in Viana do Castelo within the framework of this congress, discussed agricultural development in that important district, reaching a consensus to the effect that there has been a visible deterioration in various respects.

Some years after the emergence of encouraging prospects with membership in the EEC, and at a time when that membership became a fact just a little less than a year ago, agriculture in Minho, with very rare exceptions, is increasingly on a subsistence level or merely a supplement to some other activity. If there were no other indicators, one would suffice to confirm this reality--the substantial decline in tractor sales in a period when precisely the opposite should be happening. In addition to this fact, which is without a doubt important, another was mentioned during the session in Viana do Castelo. It has to do with the reluctance of the farmers to accept the advice of technicians, which is understandable up to a certain point, since farm activity now plays a less important role in the economy of the region and the properties are not of the sort which can support heavy investment.

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## SOCIAL EFFECTS OF OZAL ECONOMY CRITICIZED

Istanbul DUNYA in Turkish 6 Oct 86 p 1

[Editorial: "The Time of 'Miracles' in the Economy is Over"]

[Text] The economic "miracles" of the "liberalism of 1980" and the myth of "wonder men" have come to an end. The myth of "miracles" and "wonder men" was in any case a baseless fantasy similar to the "sheik whose merits were more shaky than himself." The social system which has endorsed the practice of running away from realities as a "philosophy of life" in the depths of its organism is no longer in "harmony" with this fantasy in which it was engulfed partly between 1980 and 1983 and wholly since then.

In economics one can find no examples of "wonder men" causing "miracles." No examples can be found in Turkey or anywhere else in the world. John Maynard Keynes, who rose to prominence in the circumstances created by World War I and who is a great man as an economist, was not a "wonder man." Erhardt, who is remembered as the man "who rebuilt half of Germany out of its ruins" after World War II, was also not a "wonder man." However, both of these men took on missions for themselves in their time and left their mark on their countries.

Both men owe their success not to their individual "superhuman" skills but to their ability to "rationally" synthesize the objective conditions of their time with the economic and social conditions of the 1929 crisis and the "ruined Germany" and analyze them. In addition, they were able to express the domestic and foreign financial and social dynamics in terms of consistent formulas in economics and to implement those formulas.

Most importantly, Keynes was endowed with the advantages and means offered by the U.S. economy which, though in crisis, had a strong international standing in the 1930's. In the case of Erhardt's success one cannot ignore the role of massive material and moral assistance the West gave to Germany and the infrastructure of the German economy which had survived despite all the destruction.

The fantasy of "miracles" and "wonder men" in Turkey was a great "production" staged for the nation by the administration that took office after 1983. But it did not work too well. Because the main story, the role assignments and the plot of the "production" were inadequate. On the economic stage, which is

made up of changing, complex and objective elements that, together with human factors, have the power to influence events, one could not expect a dry story which could not combine these elements harmoniously and equitably to be interesting.

The biggest mistake of the actors and the director taking part in this production, which was presented to the masses in election platforms as "acts of heroism," was their failure to see any need to modify the badly written story to fit the realities of the stage and the "audience." The science of economics and the administration of the economy is an objective and serious task which offers no opportunities for "miracles" by "wonder men." Unexpected reactions in a play which does not incorporate this seriousness may overwhelm the audience and may rapidly increase the number of decommissioned actors like Professor Pakdemirli.

Steering the economy successfully in Turkey, as everywhere else, requires the utilization of scarce resources skillfully, the creation of new opportunities and putting them at the disposal of the people and social development. This is the basic yardstick. "Wonder men" are just empty words.

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## REVISION OF CIVIL LAW SEEN NECESSARY

Istanbul MILLIYET in Turkish 6 Oct 86 p 10

[ "Thoughts of Thinkers" column article by Cengiz Erten: "The Civil Law in Its 60th Year" ]

[Text] October 4, 1986 is the 60th anniversary of the date the Turkish Civil Law and the Debts Law went into effect. The Turkish Civil Law and the Debts Law was passed by the TGNA on 17 February 1926 and went into effect on 4 October 1926.

The term "Civil Law" comes from the [Latin] phrase "Ius Civile." "Ius Civile" means the law applied to the citizens of Rome. Civil law forms part of the special legal provisions regulating the relations between individuals and corporations with each other and sometimes with the state. These rules include rules pertaining to private citizens, their relations with each other--such as marriage, guardianship, kinship, inheritance and debt--and their relations with property. The Civil Law is the most important body of written rules regulating these relations.

Before 4 October 1926, rules based on Islamic law were used in the area of private law. Until the 2d half of the 19th century, these rules were in a state of disarray. In 1876, the "Civil Code of Judicial Statutes" prepared by a commission headed by Ahmet Cevdet Pasa went into effect. This was the first codification of Islamic law. In other words, some of the rules pertaining to private law were put together in a systematic way. The Civil Code, which consisted of 1,851 articles and 16 volumes, was primarily dominated by laws regulating debt. Rules on property and procedures formed a smaller portion of the code. Nothing was included about private, family or inheritance law. Moreover, the fact that the code was drafted by a casuistic method and incorporated the ethical rules of only the Hanefi sect restricted the implementation of the law. In addition, the Civil Code was written in a complicated language. As stated in the rationale of the Turkish Civil Law, only 300 articles of the Civil Code have ever been implemented.

The enactment of the Turkish Civil Law and the Debts Law was an important step in the legal reforms introduced during the republican period. These laws were reproduced from the Swiss Civil Law (ZGB) without any major changes. The ZGB which was enacted in 1907 was framed by E. Huber. At that time, the ZGB was

the most recently written civil law in the world. The Civil Law, which consists of 4 volumes, has a 7-article introduction. The four volumes contain regulations about private, family and inheritance law and real rights. In a departure from Swiss law, debt relations among private citizens are governed by a separate "Debts Law."

The enactment of the Turkish Civil Law ensured uniformity in the area of private law. It is also a democratic and general law that has ensured equality among citizens. As indicated by Article 1 of the Civil Law, in circumstances which are not covered by any provisions of the law, customs and traditions may apply and the judge is given broad discretion. Compared to other regulations on private law, this law has the characteristics of a general statute. In particular, the filling of the legal vacuum with the judge from the outset, the principles of good will and truth and provisions with regard to proof are general principles that are used in other areas of the law.

Despite criticisms against it at the time it was enacted, the Civil Law has been in effect for 60 years. Although it was borrowed from a foreign country, the implementation has been made compatible with our own ways through interpretation, doctrines and opinions. This law has now a fully national character. For example, the law's provisions about the commonality and sharing of property in property relations between husband and wife have not been endorsed or implemented in Turkey.

However, this law has been written in the language of 1926. As a result, no one except legal experts can understand the law. Many new social and economic relations and problems and new social needs have emerged in the last 60 years. There have been important changes in the social and cultural fabric. In addition, some problems in the area of civil law have persisted since 1926. The most important of these problems are extramarital unions and children born out of such unions and investments made on properties without title deeds because of uncompleted land-registry formalities. In addition, some provisions of the law with regard to marriage, inheritance and certain real rights are still in dispute--such as the acceptance of the husband as the head of family, the preference of the father over the mother in child custody cases, lengthy trials and severe conditions in divorce cases and the division of a deceased person's estate.

The issues we have briefly enumerated warrant changes in the Civil Law. Commissions made up of university faculty members and jurists were formed many years ago on this issue. As a result of the work of these commissions a new draft civil law has been prepared. However, this draft has not yet become law. We hope that when the draft becomes law it is written in a simple and comprehensible language which will meet day-to-day needs and which will encompass new legal relations. This new law must also try to resolve the problems encountered in civil law in the last 60 years. We hope that the law amending the Turkish Civil Law is approved and enacted without delay. However, that law would also necessitate changes in other legislation pertaining to private law.

## LOWER ECONOMIC GROWTH EXPECTED FOR 1987

## Pause in Growth Needed

Copenhagen BERLINGSKE TIDENDE in Danish 13 Dec 86 p 4

[Article by Hugo Gårdén]

[Text] The Ministry of Finance expects a marked decline in economic activity next year, but that will form the basis for renewed growth. Increased competitiveness and a drastic increase in savings will be necessary to achieve renewed growth.

Gold may be purchased at a too high cost. And economic growth may be too much of a good thing.

This is the message contained in the financial report for 1987. The report recognizes the fact that the rate of economic growth has been too high of recent years. During the last few years, Denmark's growth rate has been higher than that of the rest of Europe, and that has caused problems. The import rate and the consumption rate have increased very sharply, and the balance of payments has deteriorated. That is why a pause in growth is needed, the report states.

The pause will make possible a lower rate of import, a higher rate of export and an improved balance of payments. With a lower rate of wage increases and a reduction of the interest rate, there will be good prospects of increased economic growth during the second half of 1987, the report says.

#### Change of Pace

Approximately 1 month ago, the Independent Council of Economic Advisers predicted a sharp decline in economic activity as a result of the sharp increase of recent years.

However, the Ministry of Finance does not take as gloomy a view of the trends during the next year. It expects a growth rate of 1.1 percent in 1987 and 2.0 percent in 1988--as against 2.5 percent in both years in the European OECD

countries. As of 1983, the Danish growth rate was higher than in the rest of Europe.

"There is a need for the Danish economy to change its pace in relation to the rest of Europe," the report says. The rate of consumption will have to be checked drastically, and a decline of 0.5 percent in the private consumption will be expected next year. At the same time, in checking the domestic consumption, the economic policy will force Danish enterprises into the export markets, the reason being the large capital investments of recent years. Investments have been markedly higher than abroad, 12.7 percent as against 3.3 percent on the average in 1985 and 1986.

Whereas the government of recent years has described the balance of payments and the deficit in the state finances as the main problems of the economy, a shift is now seen in the way in which the economic problems are tackled. The low rate of competitiveness and the low savings rate are now referred to as the main problems.

Competitiveness is not merely a question of wage costs but, for example, also of the export policy pursued by the enterprise. In putting greater emphasis on the growth markets, developments have gone in the right direction, but "things have not been going fast enough."

Great emphasis is thus placed on a production strategy

#### A Higher Rate of Savings

The other element is a savings strategy. The emphasis is here placed on private savings, which will have to reach the level of the sixties and the seventies.

Pension savings will constitute an important element. The government has proposed that pension savings become an important subject in the collective bargaining.

Without a supplementary pension scheme, persons working within the private sector will experience a sharp decline in their possibilities of consumption once they retire. In many cases, their consumption possibilities will be reduced by more than 50 percent. The Ministry of Finance has made calculations showing that a household with an income of 350,000 kroner will receive a national pension and a General Supplementary Pension System contribution equivalent to only 39 percent of its previous consumption possibilities (the 39 percent reflects the consumption possibilities and not the income).

However, if 9 percent of the income is saved over a 20-year-period, the pension coverage increases to 46 percent for the household. If the pension problem is solved according to the government's proposal, the pension coverage will increase to 54 percent. And if the savings take place over 45 years, the pension coverage will increase to 59 percent.

Simonsen on Economy

Copenhagen BERLINGSKE TIDENDE in Danish 13 Dec 86 p 4

[Article by Hugo Gårdén and Morten Larsen]

[Text] Minister of Finance Palle Simonsen (Conservative Party) expects a decline in the interest rate and increased Danish prosperity as of 1988, provided the collective bargaining will lead to wage increases below those abroad. He declines to discuss any pay ceiling but points out that the OECD countries in Western Europe expect wage increases of 4.5 to 5.0 percent.

With the potato diet and the budget for 1987, the government has created the basis for a new period of growth within the Danish economy. It will commence at the end of next year, and, in 1988, a new upswing will really set in, provided the wage increases resulting from the collective bargaining, during the coming years, will remain below the levels of wage increases abroad.

The above statements were made by Minister of Finance Palle Simonsen (Conservative Party) in conjunction with the most recent estimates of Danish economic trends, which, among other things, show that the potato diet will cause a sharp decline in the domestic consumption next year. Following an increase in the rate of domestic consumption by nearly 5 percent this year, 1987 will see a decline by 0.5 percent.

"We are experiencing a pause in the growth rate which we need after 5 years of growth above the OECD average. With collective agreements resulting in wage increases below those abroad, we shall have a further decline in interest rates, which will lead to renewed growth in 1988," says Palle Simonsen.

[Question] What will be the wage levels of the new collective agreements in order for them to get below the levels abroad?

[Answer] The government does not want to discuss any ceilings for the collective bargaining, and you cannot persuade me to do that either. That is the responsibility of the parties of the labor market.

[Question] What are the government's estimates of wage trends abroad?

[Answer] The OECD countries in Western Europe expect wage increases in 1987 between 4.5 and 5.0 percent.

[Question] Your own budget survey expects a growth rate of 5.3 percent in incomes next year. Is that the ceiling, and, if so, will the economy be able to sustain that?

[Answer] The estimate of revenues from taxes deducted at the source is based on the expected increases in incomes from 1985 to 1987. No pay ceilings can be deduced from those figures, says Palle Simonsen.

His chief message is, among other things, that the Danish state this year will have a surplus of 7 billion kroner because of the high level of consumption and that it next year will have a small deficit of 900 million kroner, because the increase in the rate of consumption will come to a standstill and the corporate income tax will decline.

In addition, it is a major result of the government's policy that the net expenditures of the state this year have remained within the framework agreed upon and that the prospects for 1987 show that the government is in control of developments. A result of this is that the growth in the total amount of domestic and foreign debts of the state did not go beyond the amount of 438 billion kroner and that there are prospects of a decline in the domestic and foreign debts as of 1988.

#### Tight Fiscal Policy

[Question] In the budget survey, you establish that Denmark is among the OECD countries that have taken the tightest fiscal policy measures. Is there reason to be proud of this?

[Answer] Indeed, considering the results that have been achieved. Foreign countries have actually been surprised that, despite the very tight fiscal policy that we have been pursuing, we have succeeded in achieving a very high rate of economic growth and, at the same time, eliminated the deficit of the state budget.

[Question] In view of the fact that Denmark's creditworthiness is still rated in the second highest class only, they cannot be too impressed abroad?

[Answer] That is due to the fact that our balance of payments deficit is still too large. The tight fiscal policy is the prerequisite for our ability to solve our balance of payments problem, and the pause in growth that we shall experience next year will provide the considerable improvement in our balance of payments that we are still in need of. It is a marked improvement that the deficit of 33 billion kroner this year will decline to 19 billion kroner next year," says Palle Simonsen, who believes in a balance of payments equilibrium in "approximately 3 years."

[Question] Is it not somewhat of a problem that critical voices are raised abroad when we go abroad to raise loans?

[Question] There is a very keen competition, as far as lending is concerned, and the fact that we are becoming increasingly more familiar with the loan market and better at obtaining good financing offers may give rise to some degree of irritation in certain circles abroad. As long as that is the reason, I shall take that criticism very lightly.

[Question] Does the potato diet have a too strong effect, causing a sharper downward trend beyond the desirable limits?

[Answer] No, it reduces the rate of borrowing, and combined with the tax reform, it increases the rate of savings. And it has got the very important effect that when the interest rate declines, it will prevent the decline in the interest rate from resulting again in a too high growth rate in the private consumption, as was the case in 1985 and 1986. The Japanese have done the exactly opposite thing, because their problem is that people spend too little and save too much. They have imposed a 20 percent tax on interest earnings.

#### Budget Surplus

Copenhagen BERLINGSKE TIDENDE in Danish 13 Dec 86 p 4

[Article by Morten Larsen]

[Text] Denmark will enter 1987 with a budget surplus of 7 billion kroner. This is, to a certain extent, the result of a development which the government would have preferred to avoid. The enormously high consumption rate which the potato diet seems to have checked effectively, accounts for a fair share of the surplus in the form of customs duties and indirect taxes, and the corporate incomes tax and the taxes deducted at the source have also provided ample revenues.

The budget survey of Minister of Finance Palle Simonsen, on the other hand, shows that 1987 will result in a new deficit in the revenue and expenditure account, the capital budget and lending budget of the state. It will amount to 900 million kroner as against an expected surplus of 800 million kroner. The reasons are that the corporate incomes tax will yield lower revenues and that the rate of increase in the consumption of the Danes will come to a standstill.

In the long view, however, there are prospects of a surplus. It will recur in 1988 and will grow during the period up to 1991.

The enormous improvement in the state finances is due to the tight expenditure policy which has kept the expenditures of the state unchanged in fixed prices. At the same time, the revenues of the state have increased sharply as a result of the domestic upswing and the increases in indirect taxes. Actually, Denmark is among the OECD countries that have been pursuing the tightest fiscal policies during the last 3 years, the minister of finance states.

It, furthermore, appears from the budget survey that the growth rate of the private consumption this year is estimated at 4.6 percent. Next year, the rate of consumption will decline by 0.5 percent, one of the reasons being the revenues earned by the state on new cars. Next year will see only 145,000 new cars--30,000 less than this year.

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## ECONOMY VIEWED IN RELATIONSHIP TO DENMARK

Copenhagen INFORMATION in Danish 14 Nov 86 p 6

[Commentary by Jens Nielsen: "Is Greenland a Good Business for Us?"]

[Text] Denmark receives big incomes in the form of middlemen's profits and increased employment. Not even India can show a corresponding skewness in its incomes. At least half of the private profits are taken out of the country. Only 575 of Greenland's total number of 1,031 teachers are able to teach Greenland children in their own language. The social standard is far lower than in Denmark.

"Know your place, Greenlander, and be grateful." This attitude is deeply rooted in the Danish political conduct toward Greenland. The annual report of the Minister of Greenland Affairs on the net expenditures of the state concerning Greenland contributes to the survival of this attitude. For 1984, the Ministry for Greenland Affairs reported the expenditures of the state to be approximately 2.5 billion kroner. However, the method used in computing these expenditures is a relic of the colonial times, when the individual colonies were referred to in terms of "good or not too good business ventures." The report gives a very distorted idea of the interplay between the economic conditions in Greenland and those in Denmark. A large portion of the 2.5 billion kroner concerns expenditures arising from the fact that Greenland is part of the Kingdom, and that the citizens of Greenland, therefore, cannot be put in a worse condition than other Danes with regard to various kinds of public grants. Only 1 billion kroner will then remain as a special expenditure for the Danish state. But this figure does not reflect the fact that large incomes are received by Denmark in the form of middlemen's profits and increased employment in Denmark when the Danish state incurs building and operating costs in Greenland. Additional economic research may show that Greenland is a "good business" for the Danish society.

The above comments constitute part of the very remarkable conclusions of a recently concluded study of the economic relations between Greenland and Denmark. The study was carried out by Lise Lyck, economist and assistant professor in economics at the Copenhagen School of Economics and Business Administration. She has published the results of her study in the book "The

Economy of Greenland--and Its Relations to Denmark," published by Akademisk Forlag. Works of this nature are a necessary prerequisite for the Greenland home-rule government, in cooperation with the Danish state, to work out a Greenland policy which will aim at establishing a self-supporting economy. The book points out the continued and strong economic dependence of Greenland on Denmark as well as the barriers for growth and, thanks to its vast demographic and economic data, it makes an important contribution to the debate on the fundamental nature of the relations between Denmark and Greenland.

The conception of Greenland as an independent society has been the point of departure for the very collection of data. When the Ministry of Greenland Affairs has asked the question: "How much benefit does the Greenland economy derive from the funds?" it is apparently the way in which the question has been asked which has taken the Danish authorities by surprise, for the answers to this question can seldom be deduced from official sources. These sources very often are mutually contradictory or very incomplete, in spite of the fact that exact knowledge of the economic conditions is decisive for the quality of the policy that will be adopted and pursued.

The study highlights a number of important aspects of a description of the economic society of Greenland. These aspects are largely dealt with for the first time from the same angle. It is here a question of a pioneer work, consisting of a presentation of an entirely new series of data, a more or less credible existing data material and a corrective view. Lise Lyck presents her viewpoints as she goes along, and an examination of her conclusions will therefore be another research effort which might be undertaken with the chapters of her book as its point of departure.

Like many other postcolonial areas (Greenland's colonial status ceased in 1953), Greenland shows an enormous skewness in its income distribution. Non-Greenlanders (especially Danes) account for one fourth of the work force. This one fourth earns about one half of the total incomes. Not even India can come up with a corresponding level of skewness. The most affluent section of the population in 1983 earned 37.1 percent of the total incomes. The corresponding figure for India was 30.2 percent. More than 30 years of Danish welfare policy thus has failed to stem such an embryo of social discontent.

Judging from the data contained in the study, the Danes constitute the ruling class. The Danes account for a large section of the independent business sector, they occupy nearly all of the leading positions within the public sector, receive favorable treatment with regard to size of salary, benefit by the flat-rate tax and the low tax pressure and in all likelihood are able to transfer considerable amounts of money to savings accounts in Danish banks or for investment in Danish securities. The Danish policy toward Danes in Greenland has provided sufficient encouragement for such export of capital to occur to the detriment of the Greenland economy, but the volume of the total transfers may as yet be guessed at. Lise Lyck estimates that at least half of the private profits are transferred out of the country. And she has thus probably started a controversy with the Department of Statistics, which in its reports bases itself on a figure of 5 percent of the profits.

The existence of a Danish elite in Greenland is probably also due to the fact that the Danish education policy in Greenland has been entirely without perspective. Today, only 615 of Greenland's 1,031 teachers are graduates of teachers' colleges. And only 575 are able to teach Greenland children in their own language. A negligible small section of the population are graduates of universities or other institutes of higher education. A young man who has assisted Lise Lyck during part of her work, in the summer of 1986 was the first Greenlander to graduate from the Copenhagen School of Business Administration. This lack of education has attracted a work force to Greenland with a higher university education or business education, and this work force now occupies the key positions of the society. It has apparently been the Danish policy not to make the education available to the Greenlanders which would enable them to administer their own society. Since the introduction of home rule in 1979, the area of education has, for obvious reasons, been given higher priority.

If we look at the gross national product (GNP) of Greenland in an international context, things do not look too bad. The GNP per capita converted to U.S. dollars was in 1983 computed at 8,423. That is more or less equivalent to the GNP of countries such as the Netherlands and Belgium and only somewhat below that of Japan and Iceland. But if we want to draw conclusions from the GNP with regard to the relative standard of living, we get into difficulties. The previously mentioned vast skewness in the distribution of the incomes in Greenland makes it even more questionable than normally to apply the GNP as an expression of the prosperity (for example, expressed in terms of the median income). The very large expenditures for the infrastructure that are also highlighted in the study and which are a result of the Greenland geography and the Greenland climate, will also have to be taken into account. On the other hand, the non-recorded subsistence economy may be said to pull in the opposite direction. If the GNP per capita in Denmark (U.S.\$11,013) is compared with the Greenland GNP per capita (\$8,423), the above-mentioned circumstances and expenditures of the Danish state per capita in Denmark and Greenland, respectively, it turns out that the social standard of the Greenland population is far below that of the Danish population, Lise Lyck concludes.

Greenland has major foreign trade balance problems. The import rate is very high compared to the consumption, while the export trade is slack. It is pointed out that the price policy that is being pursued may be a reason for it. The study seems to indicate that Greenland is purchasing its goods at a too high cost in Denmark. (Practically all import takes place via Denmark.) Danish producers and middlemen have managed to exploit the monopoly of the Greenland Trade Department to achieve excess prices for their goods in relation to the prices in the world market. On the other hand, it is regarded as a paradox that the Danish state, via its freight rates, grants subsidies to such an extent as to render the consumer prices of imported goods too low. That stimulates a large consumption of imported goods at the cost of the profitability of the Greenland production and the exploitation of Greenland resources. In relation to the desire for a self-supporting economy, it is hardly expedient. But there are no easy solutions. Import substitution is not feasible in a number of areas on account of the small market constituted by Greenland's approximately 52,000 inhabitants.

following a careful enumeration of the volume of investments against the background of a very incomplete data material a shot is anew fired across the bows of development optimism. The total volume of investments is quite large in relation to the GNP, but the direct investments in the trades and industries are small and declining. It is, moreover, shown that investments in Greenland not only benefit the Greenland economy but also the Danish one. The investment goods are purchased in Denmark and provide economic activity and employment there. A circumstance which is not taken into account when the expenditures of the Danish state for Greenland are officially computed. On the basis of the rules governing the outstanding accounts of the Danish state with its municipalities and counties, Lyse Lyck uses the hypothesis that Greenland is a Danish county. It then becomes a question of payments according to entirely different guidelines, but, as pointed out in the introduction, the result will then be that instead of 2.5 billion kroner, the Danish state will now only indicate about 1 billion kroner as its net expenditures for Greenland, since other expenditures will belong under the joint state expenditures. However, as a result of this hypothesis, Greenland (the county of Greenland) would not, each year, experience the humiliation of being presented as a "deficit area" with a quite unreasonably long list of economic "sins." For the Danish state does not usually distinguish between "winners and losers" among its various counties. And that, of course, is due to the fact that the economic interplay between the various regions of the country is of such an extremely complicated nature that an indication of the net result in relation to the state in economic terms would provide no practical information. Greenland is no county, but, in economic terms, the annual net result of the Ministry of Greenland Affairs also provides no practical information. The calculation may be regarded more in terms of an ideological document than a practical administrative tool.

Denmark has some advantages of the fact that Greenland belongs to the Danish state: (1) Growth in the GNP, employment and improvement of the balance of payments on account of the Greenland export market. (2) The existence of a favorable labor market with possibilities of income transfers (capital export) to Denmark. (3) Ownership in the Greenland subsoil, involving the possibility of supplies of raw materials and franchise taxes. (4) Strategic location. (5) Cultural enrichment due to the coexistence (I wonder whether not all Danes are proud of belonging to the same state as this huge island with its amazing culture. It, at least, has left its mark on Danish art.) All of this will have to be converted into prices in order to answer the question whether "the business is profitable," and that, of course, can only be done with a large extent of uncertainty or not at all.

Despite a reasonably high GNP, the economy of Greenland, as described in Lise Lyck's book, has many features in common with that of a large number of developing countries. Economic dependence, low level of business investments, large incomes differences, unsatisfactory living conditions, a small privileged upper class with interests in financial activities outside the borders of the country and in the export markets rather than in the domestic markets, a poor educational system, an inefficient administrative system, gradually deteriorated terms of trade between the export of raw materials and the import of manufactured industrial goods, changes in the traditional social order and culture, etc., all of it contributing to the absence of a self-supporting economic growth pattern. In this perspective and with the experience from

world-wide development efforts in mind, the home-rule government must be said to be facing an enormous task in its efforts to improve the Greenland economy and the Greenland living conditions. In the long view, they will have to succeed in developing a business sector and an economic structure which will benefit the Greenland consumer, which will encourage investments in the Greenland business sector and will prevent speculation in foreign securities. Far too often, development projects in the Third World have caused class differences and class privileges to become even more pronounced. They will have to succeed in gradually replacing the Danish work force by a well-educated Greenland work force while abolishing the existing privileges. They only result in higher prices and capital flight at present. They will have to succeed in establishing an educational system which will strengthen the feeling of a Greenland identity in the midst of the transition, and which, as far as possible, with the Greenland society and the Greenland trades and industries as its points of departure, will concentrate on the necessary specialization.

The home-rule government, however, has several advantages, among other things: (1) A tradition for and organizational experience with state investments may, under the control of the home-rule government, become a decisive factor in the work to achieve the objectives with success. Under modern forms of leadership, one may have the optimistic hope that it will be possible to combine the control by the society and the productive efficiency. (2) Greenland may hopefully also in the future expect assistance from the Danish state, which, under the obligation of the fact that Greenland belongs to the Danish Kingdom, after the necessary modernization of the administration and positions, will make an effort to make modern and increasingly better tools and information available for the development work in Greenland. In a cooperation between equal partners. (3) And, most recently, the home-rule government has obtained an extra fund of knowledge in Lise Lycks's book.

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CSO: 3613/30

## TRADE UNION LEADER ON WAGES, EMPLOYMENT, GOALS

Copenhagen INFORMATION in Danish 24 Nov 86 p 4

[Article by Jens Holme, special correspondent of INFORMATION]

[Text] The same pay for the same work is at the top of the agenda of the Greenland Confederation of Labor, SIK. The sole attraction to persuade Danes to come to Greenland will consist in a severance pay, says Jens Lyberth, president of SIK. He, moreover, discusses the big ambitions of the Greenland Confederation of Labor to speed up an independent economy.

In the upcoming collective bargaining, the Greenland Confederation of Labor, SIK, intends to demand pay increases of approximately 15 percent as well as pension schemes for everybody.

Compared to the Danish collective bargaining debate, the demands may appear vast. However, they do not at all come up to the pay increases of upwards of 20 percent which a number of Danish trade unions with agreements in Greenland have announced that they will demand of the Danish state and the home-rule government.

As it is SIK's declared objective to gradually eliminate the differences in wages between native Greenlanders and called-in Danes, SIK will oppose the attempts of Danish trade unions to obtain higher wages, says Jens Lyberth, president of SIK.

At any rate, it will not be the first time that frictions arise between Greenland and Danish trade unions. The existing confrontations are due to the different geographical points of departure of the trade unions in the two parts of the Kingdom.

#### Two Kinds of Equal Pay

The natural objective of the trade unions for the called-in Danish labor force is to achieve the same pay for their members in Greenland and in Denmark. Such a wage level is more than the Greenland society can actually sustain. That is why confrontations are bound to occur when the Greenland Confederation

of Labor for its part will be demanding equal pay for called-in and locally recruited labor.

In 1981, the Danish Confederation of Labor, LO, discontinued its cooperation with SIK, because the Greenland sister confederation, which LO helped establish 30 years ago, energetically fought a strike among Danish telegraph operators.

Since then, the two confederations of labor, however, have established renewed contact. According to Jens Lyberth, SIK has been going out of its way to persuade the Danish LO to understand the goals for which the Greenland Confederation of Labor is fighting.

"We accept the fact that the Greenland society for many years to come will still be in need of Danish experts, and that there will have to be an economic incentive for being posted in Greenland. The increasing tax pressure and the decelerated rate of wage increases of recent years have already made it more difficult to attract qualified Danes. On the other hand, we demand better control to ensure that the Danes who come to Greenland are people we need and that they will return home once they have completed their tasks. The idea cannot be for them to hang on as cab drivers, taking the jobs of the country's own population," says Jens Lyberth.

#### Equal Consumption

"Our demand for equal pay may very well be combined with the need for a special bonus for called-in labor. The decisive thing for us is not the income but equal consumption possibilities. The attraction for called-in labor will have to consist solely in a severance pay--perhaps compulsory savings--which may be used for reestablishment once they return to Denmark."

As an example of the existing wage and salary differences, Jens Lyberth mentions that Greenland and Danish members of the Union of Retail Business and Clerical Workers with exactly the same educational background may sit next to each other and perform the same work, for example in the municipal offices. The only difference is that the Greenlander is able to work in either language, while the called-in Dane, on the other hand, receives 30 percent more in pay plus free annual vacation trips with his family to Denmark.

Jens Lyberth says that the Danish trade unions in private state their support for SIK's viewpoints to reduce the differential treatment to a special savings scheme for the called-in labor force. However, in the actual negotiations with the employers, the Danish trade unions continue making the usual demands for the same salaries and wages in Denmark and Greenland.

Jens Lyberth stresses that SIK is not interested in taking over the Danish trade unions' right to carry on negotiations, nor will it force the called-in Danes to become members of SIK. But to avoid any further internal disputes on the part of wage and salary earners, Jens Lyberth will welcome the formation of a negotiating cartel between the Greenland and Danish unions of wage and salary earners. In the same way as the Danish state, the home-rule government and the Greenland municipalities have united in an employers' cartel.

## Big Ambitions

SIK has upwards of 8,000 members, distributed on 30 local branches and three branch divisions. Even if the circumstances are modest, the ambitions are big. At present, SIK is carrying through a large-scale building program along the entire coast. New branch offices are being constructed at a cost of 65 million kroner. The Greenland Confederation of Labor is expecting the adoption next year by the local parliament of a Greenland unemployment insurance scheme under the auspices of the trade unions.

The official unemployment rate in Greenland amounts to about 7 percent. A paradoxically large number of unemployed in a country where, at the same time, it is necessary to call in approximately 10,000 foreigners in order for the economic system to function.

On top of the official unemployment figures is a large number of unregistered unemployed workers who barely regard themselves as wage earners. This applies in particular to the populations in the settlements, who, for generations, have earned their living as whalers and sealers and who, occasionally, take on paid work at the local trading centers and when ships call at their settlements. It will appear from all of the statistical records that this population group constitutes the really poor section of the population in Greenland. Jens Lybert, however, is skeptical whether their problems will be solved within the framework of an unemployment insurance program.

The idea was originally for SIK to take over the procurement of labor as well as of January 1988. But for fear of being unable to cope with the task, SIK has arranged with the national union of the Greenland municipalities to postpone the transfer for another 4-5 years.

Jens Lybert does not mind admitting that SIK sold the Greenland cost-of-living adjustment in the collective bargaining in 1985. According to Jens Lyberth, this happened following heavy pressure for years from the Greenland government. A pressure which is closely connected with the abolition of the Danish cost-of-living adjustment in the fall of 1982.

For the home-rule government, it is important to maintain the same, or preferably a somewhat lower, rate of inflation than in Denmark in order to obtain the highest possible real benefits from the block grants of the Danish state. They managed to achieve this in the course of the first six months of this year, when the Greenland rate of inflation amounted to 1.6 percent as against the Danish rate of inflation of 2.8 percent. This means that, on an annual basis, the Greenland society will get approximately 15 million kroner more from the total block grants of the Danish state of 1.3 billion kroner.

"We expected that we should be forced to give up the cost-of-living adjustment. That is why we decided to sell it, while we were still able to get something for it," Jens Lyberth explains.

The price was a one-time payment of 1 percent of the total wage sum for a Greenland copy of the Wage and Salary Earners Cost-of-Living Fund. In total, the

employers had to pay 8.7 billion kroner to a newly established trade fund safeguarded by SIK. The money will be spent on investments in new work places. Not as a social measure but as a remunerative business venture, Jens Lyberth points out.

#### Building Costs Down

Right now, SIK is carrying on negotiations with an Icelandic consortium and a Danish contractor in Nuuk (Godthåb) for the construction of a building unit factory. The Icelandic calculations show that a local building unit factory will be able to reduce the extremely high building costs in Greenland of approximately 16,500 kroner per square meter by nearly one third. Another project in which SIK is involved are the preparations for the establishment of an enterprise which will produce insulating material.

Nor will SIK let go the possibility of investing in the lucrative restaurant business in Greenland if the opportunity should occur.

"It is a characteristic feature of the Greenland business sector that nearly all private enterprises are owned by Danes. When the owner grows tired of life in Greenland, he sells his business to a Danish colleague and takes all the profits with him back to Denmark. Our objective in entering into business is to ensure that the money remains in Greenland and will be used for investments," Jens Lyberth establishes.

SIK, however, does not have any successful experiences from its participation in business. Some years ago, the Greenland Confederation of Labor set up a cooperative cleaning company, but it has become no major success.

#### Responsibility and Stability

An extremely sensitive question in the development of an independent and self-supporting Greenland business sector is that of discipline--or the lack of it--among Greenland wage and salary earners. The imported Lutheran moral concepts are not as well-rooted in the Greenland mentality as to cause Greenlanders to remain happily in their factory jobs. When they have sufficient money or there are possibilities of major catches in the waters, they simply leave their jobs.

One need not stay long in Greenland to find Danes who condemn this conduct severely and consistently. Contrary to many other of the new Greenland leaders, Jens Lyberth does not mind recognizing and discussing this phenomenon.

"We have to base ourselves on our Greenland background. That is why it is no use forcing through a development. I usually say that we are standing with one leg in a developing country and the other in an industrialized country. The way to achieve a more stabilized production must be by making the work more interesting and responsible. The employees in the enterprises will have to be included more directly in the decision-making processes and thus experience that things are not merely controlled from the outside, as was the case in the more than 200 years that the Greenland Trade Department decided everything here in Greenland," says Jens Lyberth.

### Greater Influence

The SIK chairman himself is on the board of the Godthåb Fiskeindustri [fish-processing plant]. And, here, attempts are at present being carried through, offering the workers conditions as salaried employees in an endeavor to hold on to the workers. Jens Lyberth, moreover, refers to the fact that the local parliament has decided to set up production committees in all of the fish-processing plants of the home-rule government. The committees will work as a board and will be composed, among others, of representatives of the municipalities and the employees.

"The powers of the production committees will become gradually increased, and the individual factories will be operating more independently, so that it will become clearly apparent which are working at a loss and which are profitable. In the long view, the objective should be for the workers and the fishermen themselves to appoint the leaders of their factories," says Jens Lyberth.

He points out, however, that, in the opinion of SIK, the factories must continue to be owned by the public sector.

"We do not want for the factories to be transferred to the private sector but a decentralization which will replace the rigid state management," Jens Lyberth states.

### Defies Decision

The role in Greenland politics of the merely 33-year-old SIK chairman has, in several cases, been controversial. He is a member of the top leadership of the governing Siumut party. He is occasionally accused of giving higher priority to his party policy interests than to the regard for his members within the trade union movement.

At the most recent congress of SIK last August, the majority found that Jens Lyberth failed to distinguish adequately between his honorary function within the Greenland Confederation of Trade Unions and his political involvement. Jens Lyberth, therefore, was directed to leave the Greenland parliament. During the recently concluded fall session, Jens Lyberth allowed himself to be replaced by a deputee.

Jens Lyberth, however, finds that the work on a number of cases during the session of the Greenland parliament has shown that they cannot do without him in Greenland politics. That is why--despite the decision made at the congress of SIK--he has decided to reenter the Greenland parliament as of the upcoming spring session, which will take place in March-April.

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## LARGE INCREASE NOTED IN 1986 EXPORTS

Athens I KATHIMERINI in Greek 3 Dec 86 p 9

[Text] In September 1986 our exports in current value dollars marked a large increase due to the rise in exports--a 108 percent rise compared to the corresponding month in 1985.

Noticeable also is the increase during the January-September 9-month period. Exports increased 26.5 percent compared to the corresponding 1985 9-month period. The above data are included in the monthly bulletin of the Center for Export Research and Studies [KEEM].

It should be noted that the value of exports during this 1986 9-month period is measured in devalued currency with respect to the drachma, while the opposite was true during the same 1985 period. Thus, the picture of achieved exports is not equally favorable if their value is estimated at European Monetary Units [ENM].

Specifically, the value of our exports in ENM showed a large increase in September 1986 but during the January-September 9-month period it showed a noticeable decrease compared to the corresponding 1985 9-month period. More particularly, according to KEEM data, in September 1986 exports reached 617 million dollars, or they increased 107.3 percent compared to September 1985 (296 million dollars). This increase is larger if we do not take into account the value of exported oil products, the export of which marked a particular decline compared to September 1985.

The value of the September 1986 exports in ENM reached 602 million compared to 378 million in September 1985, or an increase of 59.3 percent. This increase rises to 71 percent if the value of exported oil products is not included in the total figures.

Total exports during the January-September 1986 9-month period reached 4,043 million dollars. They increased, that is, by 26 percent compared to the corresponding 1985 9-month period (3,196 million dollars). This increase becomes still greater if the value of exported oil products is not included in the total figures.

But the value of exports in ENM declined by 3.9 percent during the 1986 9-month period (4,198 million ENM compared to 4,368 million in the corresponding 1985 period). On the contrary, the value of exports in ENM increases by 2 percent in the same period if the value of exported oil products is not included.

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CSO: 3521/32

## OECD REPORT PRESENTS MIXED PICTURE FOR NATIONAL ECONOMY

## Difficulties Ahead

Athens I KATHIMERINI in Greek 19 Dec 86 pp 1, 3

[Excerpts] The OECD semi-annual report paints a gloomy picture for 1986 economic developments in Greece and points out that during the year private consumption and investments dropped while income of the wage and salary earners decreased by 4.5 percent. OECD is of the opinion that if the restrictive policy is also continued in 1987, there will be an improvement in the economy (productivity and investments) even though unemployment will increase. Specifically, unemployed will reach 390,000 compared to 325,000 in 1986. With regards to the OECD report, our Paris correspondent R. Someritis writes:

Paris--The 1986 income of the Greek working people decreased by 4.5 percent as a result of implementation of the new economic policy which also caused an inflation decline (18 percent from December 1985 until October 1986 on an annual basis instead of 25 percent in 1985) as well as a substantial drop in economic activity.

These are the main findings regarding Greek economic developments reported in the new semi-annual OECD report which was made public yesterday.

## What is Needed

According to OECD sources the results of the austere economic policy in Greece are not yet satisfactory. They believe that for the economy to again acquire the competitiveness needed for its survival a decrease in income of at least 10 percent or (an impossibility, it is believed) an increase in productivity by 10 to 15 percent should be achieved.

The OECD report mentions that, as the government announced, the same policy will be in force and it envisages a new decrease (in real numbers) of the average salary. At the same time, more effective measures against tax evasion and a stricter control of outlays will allow for a new decrease in the loan needs of the economy's public sector. Yet, the report points out,

these predictions are based on the assumption that foreign exchange prices will remain about the same in real values and interest rates will be maintained at high levels.

Thus, the decrease in the income progress rate will allow a new curtailment of inflation which--if the impact from implementation of the Added Value Tax is not taken into account--will drop to 10 percent. At the same time, domestic demand will be limited still more in 1987 and the gross national product may also drop somewhat.

However, following the increase in profits and the improvement in general conditions, investments of enterprises and domestic demand may show a small rise because the cost of labor will be less in real prices and the labor market more flexible. At that time, OECD believes, the gross national product will show a small rise, while the balance of payments' deficit will drop.

#### Simitis' Comments

Commenting on the OECD report on Greek economic developments, National Economy Minister K. Simitis said:

"OECD makes its own assessments which do not always coincide with those of the Greek government, but which also are not substantially different." Simitis said, for example, that assessments of the Greek government are near those of OECD, which for 1987 predicts 11 percent inflation, a decrease in demand, and a restored reactivation of investment activity.

However, the two assessments are completely different in the area of unemployment. OECD places it at 9.25 percent in 1986 and 10 percent in 1987. The Greek government, on the basis of a poll by the National Statistical Service, has figured 1986 unemployment at 7.6 percent.

#### Drop in Farm Income

Athens I KATHIMERINI in Greek 20 Dec 86 p 7

[Excerpt] According to the Monthly Bulletin of the EEC Statistical Service, 1986 farm income in Greece will decrease by 2.9 percent.

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CSO: 3521/47

## MINISTER CITES PROGRESS IN 1986-88 PLAN FOR SOUTH

Rome IL POPOLO in Italian 29 Nov 86 p 14

[Text] Rome--The committee for the southern regions chaired by the minister for the South, Salverino De Vito, has expressed a favorable opinion on the first plan for implementation of the 3-year program for the South covered in law 64, which allocates about 30 trillion for the 3-year period 1986-1988.

In the coming week, Minister De Vito will have bilateral meetings with the presidents of all the southern regions (Lazio, Abruzzo, Marche, Molise, Campania, Calabria, Puglia and Basilicata, Sicily and Sardinia) and with the office of the chairman of the committee of representatives in each of the same regions, with the purpose, following CIPE approval, of achieving implementation of the program.

At the conclusion of the meeting, the minister reported that the regions had played a prominent part in the methodology and procedures followed in formulating the plan. De Vito added: "The connection with the regions was neither ritual nor nominal; they made choices, indicated priorities, and checked consistency and complementarity with the regional programs. Today there is genuine experience, a concrete process in the regions' acquiring of a programing role.

Recalling that both public and private large bodies had contributed, demonstrating with projects and proposals "that it is still possible to stimulate the interest and commitment of the entire country on the concrete basis of initiative," Minister De Vito listed the criteria that had inspired the plan.

In De Vito's view, the decision in favor of strong commitment to innovation and training, upgrading of the infrastructure network and activities in the area, by restoring to these activities the full characteristic of investment for development, expresses the commitment of the government and the southern regions to preventing the marginalization of the southern economic system by depriving it of the basic factors for development."

The minister for the South concluded by pointing out that the first implementation plan approved today is inspired by the strategic criterion of coordination of ordinary and special activity that remains the central factor in effectively overcoming the gap in the country.

The following also expressed their satisfaction: committee vice chairmen Carmelo Azzara (DC), Bruno Domijanni (PSI), and Franco Politano (PCI).

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CSO: 3528/45

## TOTALS, BREAKDOWNS FOR DIRECT, INDIRECT TAXES REPORTED

Lisbon O JORNAL in Portuguese 12-18 Dec 86 p 29

[Article by A.C.]

[Text] The Portuguese tax system depends on two basic types of taxation--indirect and direct.

In the first category, and more especially in connection with the consumption of goods and services, there is the added value tax (IVA). This is the tax which brings in the most income to the state coffers. This year, estimates point to an approximate total of 220 million contos, which may even be surpassed.

The government estimates for 1987 come to a total of 348.5 million contos, which will mean an increase in income of about 58.6 percent.

In addition, a whole series of indirect taxes which, although they do not affect the taxpayer directly, are determining factors in establishing sale prices to the public, must be taken into consideration. These include, for example, the tax on tobacco consumption, the tax on sales of automotive vehicles, the tax on consumption of beer and other alcoholic beverages and the gambling tax.

Taken together, indirect taxes should provide the state with approximately 495.6 million contos in income in 1986, and the estimate for 1987 includes an increase of 16.9 percent, making a total of 579.2 million contos. To this sum must be added the income from the tax on oil products, which should come to nearly 150 million contos.

With regard to direct taxes on income, the taxpayer is subject to the professional tax and the supplementary tax, among others. With the imposition of the single tax on income in 1988, next year will be the last in which these separate sums will be paid. In 1987, income from the professional tax should come to 90 million contos (up 13.2 percent over the total for this year), while the supplementary tax will bring in 18 million contos (up 20 percent over 1986).

This year, direct taxes will provide the state with a total of about 277.2 million contos. It is estimated that the total for 1987 will increase to 302.8 million contos (up 9.2 percent from the 1986 figure).

Even after the changes introduced into the state budget for 1987 by the Assembly of the Republic, the estimates point to a fiscal income total of about 1,030,000,000 contos, representing a substantial increase of 12 percent over the total estimated for the year in progress.

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CSO:3542/30

## PRICE INCREASES FOR STAPLES, SERVICES DETAILED

Lisbon DIARIO DE NOTICIAS in Portuguese 11 Dec 86 p 17

[Excerpts] The new prices for basic goods and services recently established by the government were announced yesterday. They affect bread, milk and transportation, for which there were significant increases. For example, according to the official list of new prices, we learned that electrical energy will go up 9 percent, beginning with the first meter reading.

Bread will cease to be sold by the piece and will be sold by the kilogram, with an increase of about 13 percent.

Regarding the new water rates, which will go up 8 percent, it should be emphasized that this is a result of an increase in the supplementary tax, the increase in water consumption and the rental of meters.

As to the services provided by the CTT, they too are increased 8 percent, but only for the week.

There are also increases of approximately 14 percent in the prices of flour for the baking and pasta industries.

Where milk is concerned, there are both increases and reductions. In fact, pasteurized milk has gone up 9 percent and ultrapasteurized whole milk 1.5 percent. However, skim and semi-skim ultrapasteurized milk are affected by reductions of 6.5 and 10 percent, respectively.

On the other hand, the price of fertilizers has gone up as well, to the extent of 5 percent, on an average.

In the transportation sector, it should be noted that taxi fares will cost an additional 8 percent beginning next week. In mass transport, particularly family passes, the increase is 8 percent, which is also the average for regular Metropolitano, Carris and Transtejo tickets, except for elevator tickets, which will cost only 3 percent more.

Finally, it was announced that the toll fee for the 25 April Bridge will be raised 8 percent at the beginning of next year.

#### Milk and Taxis

Where milk is concerned, it was announced that not only will prices be changed, but the system of subsidies to producers will be altered as well.

In fact, the subsidy system will affect producers of Category A milk (whether or not refrigerated), including special milk, directly and individually.

An effort to "improve the quality of milk so as to provide domestic consumers with a product of better quality, while simultaneously increasing the competitive capacity of domestic as opposed to foreign production" are the reasons given by the government for the price changes in this sector.

#### Water and Electricity

The EPAL will charge an additional 7.3 escudos per cubic meter of water supplied to all consumers in the city of Lisbon, according to the directive officially announced yesterday.

This directive, issued by the Ministry of Territorial Planning and Administration, further sets new prices for water and rental fees for meters applicable to all the Public Water Enterprise of Lisbon (EPAL) consumers, including municipalities.

The new prices show an average increase of 8 percent.

Electrical energy rates, in turn, were increased 9 percent, according to the provisions of a directive published in the supplement to the DIARIO DA REPUBLICA dated 4 December and distributed yesterday.

5157

CSO:3542/30

## BRIEFS

FEDER FINANCING PROJECTS--The EEC has approved the financing of 180 investment projects totaling 4.4 million contos, or about 28 million ECUs, within the framework of the European Regional Development Fund, the Bureau of the Economic Communities has announced in Lisbon. This financing package approved by the European Commission of the EEC is the fifth for Portugal to date, raising the total of FEDER financing provided since Portugal joined the European Community to 49.5 million contos. The projects which have just been approved were, in the majority, proposed by the local self-governing bodies on the continent, and the rest were proposed by the central administration and the Autonomous Regions of Madeira and the Azores. The Azores and the central region of the country will receive some 30 and 26 percent, respectively, of the total aid allocated by the European Fund for Regional Economic Development. The projects selected by Portugal are focused basically on the water and transportation infrastructure sectors. The infrastructures supporting productive activity will receive EEC financing in the amount of 417,000 contos. The projects now included involve basically industrial subdivisions, and are distributed among the Center, North and Alentejo regions. [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 11 Dec 86 p 7]

5157

CSO:3542/30

## ISLAMIC DEVELOPMENT BANK FINANCE CREDIT SYSTEM EXPLAINED

Istanbul DUNYA in Turkish 11 Sep 86 p 1, 9

[Text] Yusuf Bozkurt Ozal, undersecretary of State Planning Organization (SPO), talked about the intended measures for stimulating exports, preparations to establish a large-size 'export bank' as well as efforts concerning 'export credits' and 'export insurance'. Undersecretary Ozal stated that the concept of an export bank is not at all clear yet, and it is rather early to make a public statement about the overall character of the enterprise. He also gave information about the so-called 'medium-term commercial financing mechanism' to be established under the auspices of the Islamic Development Bank (IDB) in accordance with resolutions adopted in meetings of the Islamic Conference Organization Economic and Commercial Co-operation Permanent Committee. (ICO-ECC-PC). The said mechanism is meant to provide the basis for non-interest banking. The basic concept behind the 'mechanism' is profit sharing as in a commercial partnership. Shares are to be issued as soon as the mechanism becomes operational.

Chairing the 2nd monitoring sub-committee of the ICO-ECC-PC, which met in Istanbul at the level of experts ending yesterday, Ozal explained to DUNYA how 'medium-term financing mechanism' is expected to function. (It happens to be the most visible measure to come out of ICO-ECC-PC meetings.) Ozal referred to measures designed to stimulate exports as well as work under way to establish a large-size 'export bank'. New measures such as export credits and export insurance are expected shortly to be operational. Ozal added, "We are also working on a project to establish a large-size export bank, which is yet to take its final shape. So it is too early to make detailed announcements about it." Answering DUNYA's question as to whether the envisaged 'export bank' was to be formed out of the shells of the four publicly-owned banks which are expected to merge, with Anadolu Bank at the center, Ozal merely pointed out that work was in progress, and it was "not timely to make any announcement yet."

It is common knowledge that the government is seeking to privatize the four banks -- Anadolu, Etibank, Sumerbank and Maritime -- as part of the overall privatization of the SEEs. The man in charge of the project is Bulent Semiler, an advisor at the prime ministry. The project aims at merging the four banks, with Anadolu Bank at the center. It has become increasingly clear that when the dust settles what will emerge is a large-size bank devoted to 'export financing'.

Four options are being considered in relation to the merger of the four banks and the subsequent privatization of the emergent bank. Sources close to the government indicate that the whole project will be presented to Prime Minister Turgut Ozal for review in early Oct. Depending on how he decides, implementation will follow suit. Undersecretary Y.B. Ozal fails to give a definite answer to the question whether the merger and the subsequent formation of an export bank are one and the same, pleading, "it is too early to say." But all the signs are that the two activities are convergent. It is increasingly apparent that the merger of the four banks will be followed by the formation of an export bank. In which case the newly-formed bank will be financed in equal measure by infusion of capital from the four defunct banks, to be supplemented by capital from other sources. The bank is expected to provide low-interest credit with a view to stimulating exports, and it will be the hub of activities concerning export credits and export insurance. It might be wise to underline the fact that the final shape of the project will not be known until after the prime minister makes the final decision in Oct.

'Medium-term commercial financing' is a mechanism based on the notion of non-interest banking. Interest is avoided in this system. Instead, a system of profit sharing, as in a commercial enterprise, is adopted. There are already institutions in Turkey operating on the basis of non-interest banking -- Al Baraka, Faisal Finance. The mechanism, created within the IDB framework, envisions a situation in which the bank and the countries providing financial resources are to share profits as in a commercial partnership. The system also envisions issuing of shares in financial markets.

Anyone wishing to have access to the special fund, to be created within the 'medium-term financing' framework, would have two options. One would be leasing and the other -- sale by installment. In leasing, the bank buys the item on the behalf of the customer and leases it to him. For example, if the lease is for 7 years and the rent charged by the bank is TL 16 for every TL 100 paid for the item, the cost to the customer would be TL 116 annually and the bank would be making a profit of TL 112 over the duration -- 7 years in this case. This means that the bank

conducts a profit-sharing arrangement with the customer. And after 7 years the ownership passes to the customer. The other option, sale by installment is quite similar, except that ownership belongs to the customer right from the outset. In both instances the bank's profit is expected to be within close range of the going rate of interest.

Y.B. Ozal also announced that the operational guidelines for 'medium-term financing mechanism' has been approved by the executive board of IDB, and with the participation of a sufficient number of countries, 10 being the minimum, the project may become operational within a month. Participating countries would have to pledge at least \$1 million, and the minimum required \$75 million. "In the initial stages existing resources and the pledges by the 10 countries would keep the bank afloat. But later on longer-term resources will be sought. That means issuing shares in financial markets," Ozal added.

Ozal also mentioned 'multilateral Islamic clearing union' (which is a priority project with ICO-ECC-PC) and 'export guarantees' as two projects neither of which has gained sufficient clarity in recent times. The problem here seems to be discount and interest rates. The broader issue, however, is the creation of a mechanism compatible with basic Islamic principles, and avoidance of their violation. The problem might be solved more easily in the case of medium-term commercial financing since "here we are dealing with more concrete things -- like goods changing hands. It would, therefore, be easier to find a formula that fits in with the notion of non-interest banking. In the other two -- clearing union and export guarantees -- however, it is paper that changes hands not goods. A formula will still be found for them, but will require more time."

SPO Undersecretary Y.B. Ozal also stated that directives have been issued for IDB to expedite its work on these important projects -- medium-term financing, multilateral Islamic clearing union and exports guarantees -- and these issues will form the main agenda of the upcoming Third ISO-ECC-PC meeting.

12466  
CSO: 3554/32

## NEED FOR ANTITRUST LAW CLAIMED

Istanbul HURRIYET in Turkish 11 Sep 86 p 4

[Text] Ankara -- Chairman of Ankara Chamber of Industry Mumin Erkunt has alleged that industrialists are being ripped off by con games played over welding electrodes, a major industrial input. Erkunt claims that the three producers of electrodes had been operating in a competitive mode up until Nov of last year but since then have been fixing prices and reducing output. Erkunt says, "What these firms are doing is contrary to free market economy. The government should immediately introduce anti-trust legislation, and prevent such occurrences.

Erkunt pointed out that one firm manufactures the 'Oerlikon' and 'Halkali' brands of welding electrodes, while the 'Bohler' and 'Hobart' brands are manufactured by Gedikoglu Holding, and 'As' brand by Eczacibasi Holding. He added:

Initially these firms were operating in a regular competitive mode. On 1 Mar 85 a 3.25 mm welding electrode, the most popular in the market, was selling for TL 26.10. And due to the competition the price was even cut down to TL 21. However, on 28 Nov 85 the three firms apparently reached agreement to fix prices, and have established an oligopoly.

## Price Rises

Erkunt underlined the point that the price of welding electrode, which was TL 30 on 28 Nov 85, increased 2 months later to TL 36 (15 Jan 86), 3 months later to TL 43 (7 Apr 86), and finally to TL 53 on 20 Aug 86. He continued:

In the 8.5 months between 28 Nov 85 and 20 Aug 86 there has been a 76 percent increase. It is hard to see how this can be justified. Even the rise in wholesale prices during the same period is around 40 percent. Moreover, these three firms have got together reducing production and carving the market among themselves. They are drawing their profits not out of production and sales, but through excessive rises in prices.

For Erkunt these acts constitute 'daylight robbery' aimed at creating an oligopolistic market, in a way incompatible with free market economy. Erkunt also makes the allegation that "the firms have parcellled out the retailers among themselves, refusing their products to some retailers, watching over each other's production and sales." A similar situation exists among the "producers of durable household goods." Urging the government to introduce anti-trust legislation as soon as possible, Erkunt asked for the elimination of taxes and duties from the imports of welding electrodes, as a short-term measure.

12466  
CSO: 3554/32

## RECURRENCE OF ECONOMIC INSTABILITY FEARED

Istanbul DUNYA in Turkish 7 Oct 86 pp 1,9

[Article by Professor Mustafa A. Aysan, instructor at Istanbul University and former minister of communications and transportation: "Why Liberal Economics Has not Worked In Our Country"]

[Text] The liberal economic policy based on free competition which we resorted to revitalize our blocked economy in 1979 has once again begun to "stall." We are unable to reduce the annual inflation rate to below 30 percent, the rate of devaluation of the Turkish currency to below 40 percent and the interest rates below 50 percent. As long as these indicators remain at such high levels, investments and production cannot grow, unemployment cannot be cut and the economy cannot be restored to a state of health and stability. In addition, measures designed to increase foreign currency revenues have begun to lose their effectiveness; the foreign trade and balance of payments deficits increased substantially in the first 6 months of 1986.

Although successive governments have pumped banknotes into the economy at the rate of 40 to 60 percent a year in the last 6 years, private corporations and the state economic enterprises [SEEs], which set the course of investments and production, are perpetually short of money. This shortage of money has resulted in payment difficulties for many private corporations and has forced the SEEs to slow down their investments and production despite their sharp price hikes. Experts monitoring our country's economy have now begun to search for the causes of this situation. The purpose of this article is to examine the causes of these negative developments in the economy and the measures that can be taken to eliminate them.

Our current reliance on "liberal economic policies based on free competition" in shaping our economy is nothing new. The Union and Progress Party governments tried to resolve the inflation and foreign currency shortage problems that emerged before World War I by implementing such policies. One of the reasons for their failure was the economic chaos they created in trying to implement these policies. The second attempt at liberal economics occurred during the period 1923-1930 when the post-Liberation War governments implemented policies which relied on the private sector. One of the reasons for the establishment of Sumerbank in 1932 was the failure of these liberal policies. The third attempt occurred during the tenure of the Democratic Party governments, but the result was once again inflation and a shortage of foreign currency. The fourth attempt came in the period 1965-1970, and the result was once again inflation and foreign currency shortage. The 1980

implementation that began with the 24 January decisions is the fifth liberal economy attempt. Data on the inflation rate and the foreign currency balance for the first 6 months of 1986 indicates that the annual inflation rate exceeds 30 percent and that the foreign trade deficit has risen sharply. Are prospects for this fifth attempt the same as the previous ones? Below we attempt to explain some of the deficiencies that eventually caused the liberal economic policy implementations to fail.

1. The economic successes scored in developed countries like the United States, Britain, the FRG and Japan, where liberal economic policies based on free competition have worked, have won the admiration and respect of several leaders and statesmen in our country. If we examine the expense at which these economic successes were attained in those countries we may get an indication of why these policies have not succeeded in our country. While in all these countries the general policy has been "laissez faire and laissez passer" (the predominant slogan of liberal economics), the economic policies are controlled by the people thanks to a range of measures. These measures, which we collectively call "the economic oversight system," consist of oversight implementations in four separate areas.

a) In these developed countries there is a system of "balance sheets, profit-loss statements and auditing" which separates successful firms from the unsuccessful ones, effective executives from the ineffective ones and honest businessmen from the dishonest ones. Thus, in these countries, the people's "right to have information" with regard to their relations to the firms as workers, civil servants, supervisors, consumers, shareholders or creditors has become a "constitutional right." They have the opportunity to examine or to have an expert examine the balance sheets and profit-loss statements--audited by experts--of any relatively large firm at least once a year (once every 3 months in the United States and Japan) without much effort (from daily newspapers) and to make correct decisions about the firms. None of these means are available in our country. To the extent that they are disclosed, balance sheets and profit-loss statements in our country are aimed at fooling the people rather than informing them. When policies of "laissez faire, laissez passer" are implemented in such an environment, only the most reckless and lawless businessmen and the companies which commit the biggest fraud in their balance sheets and profit-loss statements can become successful, the honest businesses lose, and eventually corruption, embezzlement and fraud engulf the economy.

This brief comparison with the developed countries must show us that one must not expect liberal economics to work successfully in our country until we put into effect a system which requires all relatively large firms to publish their balance sheets and profit-loss statements at least once a year after having them audited by experts. It has not been possible to do this in the entire history of our republic. For example, the SEEs must not be privatized without doing this because it would mean rewarding those who do not work well. Rescuing banks and private corporations without taking this step would be dangerous because it would reward the ill-intentioned.

b) In all these developed countries there are "antitrust" or "anticartel" regulations backed by powerful penalties with the purpose of preventing monopolization and breaking up monopolies which may develop in time in an

environment of liberal economics. One of the most important functions of governments is to regulate the tendency of growing firms to take over other firms and to establish trusts in the continually changing dynamics of business life and, if necessary, to block all monopolistic inclinations using the power of the state.

In our country, not only such regulations are nonexistent, but the governments are too weak to implement them even if they existed. Indeed, in recent years our governments have been unable to exercise the powers vested in them to block the blatantly monopolistic policies of private corporations in our country.

c) All developed countries have powerful "consumer protection" legislation (collection of regulations) and implementations. Thus, in these countries the seller cannot sell defective products to the consumer even if the buyer consents, and if he does he would not go unpunished. Recently, environmental conservation legislation has been added to this collection of regulations.

In our country, although governments have known that many firms manufacture and sell defective and substandard products these firms have not been punished--or the punishments prescribed have been ridiculously light. The governments have turned a blind eye to many companies which pollute the environment.

d) All developed countries have powerful legislation regulating employer-employee relations. For example, in Japan once a worker is hired he cannot be fired. In the United States, it is very easy to do that but a heavy price must be paid. Powerful labor unions work diligently to defend all the rights of the worker.

Despite rapid developments in this area in our country in recent years, our legislation regulating employer-employee relations lags far behind those of the developed countries. Strike and lockout rights have been severely restricted. Legislation on employee health and occupational diseases is virtually nonexistent.

Because the "economic oversight system" consisting of the parts described above is not operative with all its institutions and penalties in Turkey, economic decisions and policies have lacked determination and continuity. Today, our economy is in a state of instability with currency exchange rates that adjusted daily, interest rates that are adjusted every 3 months, frequently changing surcharges on imports and exports and frequently adjusted prices of basic goods and services. In this environment of instability, liberal economic policies will inevitably turn into a chaotic state and production and investments will slow down. There is no reason to expect that "history will not repeat itself" unless proper steps are taken. The economic results of the first 6 months of 1986 must be interpreted as the first omens of "recurrence," and the deficiencies of the "economic oversight system" must be repaired without delay.

## COMPETITION LIVELY IN TEXTILE INDUSTRY UPGRADE

Istanbul HURRIYET in Turkish 7 Oct 86 p 4

[Text] The modernization project of the Turkish textile industry has brought with it a 60-billion-lira "battle of looms." The project, which envisages the addition of 4,000 weaving looms to the industry by 1988, has spurred a "race unload" on Turkey used looms owned by Italian, German and Spanish textile firms which have either gone bankrupt or have upgraded their technology. Also participating in this race encompassing 4,000 weaving looms is a firm which has become the first manufacturer of weaving looms in Turkey.

The modernization project was prompted by the state of the aging weaving looms in the Turkish textile industry and the industry's failure to keep pace with advances in the world textile industry. It was originally planned to discard existing old looms and to replace them with newer and more advanced looms. It was also planned to encourage the purchase of additional new looms to expand production capacity.

Because a loom manufacturing capability does not exist in Turkey the looms had to be imported from overseas. However, the cost of importing new looms would be too high, and the industrialists did not like it. The only other option was to import used looms. Since this is permitted by existing laws, in the last 3 years Turkey has been filled with looms which will soon be scrapped.

## Firms Established

Companies were established overseas, and contracts were signed in Turkey. Firms which had either gone bankrupt or which had upgraded their technology were found in Italy, Spain and the FRG. Bids were made on their machinery. Looms nobody wanted were bought at rock bottom prices and were sold to Turkish textile manufacturers by advertisements in newspapers and magazines.

We talked with the officials of one of these firms, Jasmin In Und Export, which was established with the sole purpose of selling used looms and machinery to Turkish textile manufacturers. The company's chief executive officer in Turkey, Ahmet Oner said: "The textile industry in the FRG is dead at the moment. German textile manufacturers are going bankrupt or moving into new areas. We are buying looms owned by these firms and selling them to Turkish textile manufacturers." Noting that used looms are very attractive

for Turkish textile manufacturers, Oner said: "A loom which costs DM240,000 (approximately 84 million Turkish lira) new in the FRG can be bought for DM35,000 (approximately 12.25 million Turkish lira) from a bankrupt firm."

Fahir Ozkan, the director general of Asilteknik Machinery and Equipment Industry Corporation--which has begun manufacturing shuttleless looms for the first time in Turkey--said: "In an effort to modernize our textile industry we are importing looms which will be scrapped very soon. We will try to prevent the entry of these machines into Turkey by competing against them in both price and quality."

#### Industrialists Opposed

HAKIMIYET, a newspaper published in Bursa, had an interview on this issue with Alper Tansal, the president of the Bursa Textile Industry Employers' Union. In the interview Tansal said: "The Italians, in particular, are trying to sell used looms. Today, 1978 to 1980 model looms are being imported into Turkey. These looms are not so cheap. While a more advanced new loom may sell for 12 million Turkish lira, these looms can be bought for 7 million Turkish lira. What we are doing today is collecting Europe's scrapped looms. This situation must be ended."

Stating that the MKE [Machine and Chemical Industry Establishment] must begin manufacturing looms, Tansal added: "Only the MKE can stop the importation of looms. It has already started work on this issue. They must complete this work and begin production without delay. Otherwise the results can be very unfavorable."

9588  
CSO: 3554/65

## PLASTIC RAW MATERIAL SHORTAGE

Istanbul TERCUMAN in Turkish 11 Sep 86 p 6

[Text] Prices of plastic raw materials have doubled in price in the black market when PETKIM (the sole producer of these materials) had trouble making some of them available to the market, causing delays in certain cases and restricting product lines in others.

The price of 'crystal', which has uses ranging from kitchen utensils to automotive accessories has doubled due to PETKIM's inability to provide sufficient quantities for nearly a whole month. Due to shortages prices of 'antishot' and 'moblen' have also increased by TL 100-200 per kg. The price of crystal has risen from TL 692.43 to TL 1100-1200, antishot from TL 741.73 to TL 830, moblen from TL 638.44 to TL 725 per kg. Due to rumors that PETKIM is about to increase the availability of crystal, prices have fallen to TL 925.

## Collecting Premium

Due to shortage of crystal a certain consignment had been imported, which duly fell into the hands of black marketeers. They started selling at high prices. In market lingo, the differential between the regular and black market prices is referred as 'collecting premium'. A TL 40 differential means that the product has collected a TL 40 premium.

Manufacturers say that shortages lead to price rises depending on the state of demand, and such instability leaves them in a difficult situation. One manufacturer, who wishes to remain anonymous, says that PETKIM's policy of allocating moblen (used in making school briefcases, plastic baskets and the like) according to production capacity leads to abuses and unlawful gains. He says that, "Some manufacturers, instead of using their allocation, pass it on to some other firm, sharing the profit between themselves."

What Does PETKIM Say?

Pointing to the ever-increasing demand for plastic raw materials, PETKIM officials say they are having difficulty in meeting the demand. Despite working full capacity, and even over capacity, PETKIM seems to fall behind in meeting the demand, according to officials.

12466  
CSO: 3554/32

ECONOMIC

TURKEY

BRIEFS

THIRD BOSPORUS BRIDGE PLANNED--It has been disclosed that the Fatih Sultan Mehmet Bridge, which will be the "second necklace" on the Bosphorus Strait, will go into service in August 1988. Minister of Public Works and Resettlement Safa Giray said in a press conference--attended also by the Highways Director General Atalay Coskunoglu--at the Hisarustu construction site that "work is under way to build a third bridge over the Bosphorus." Focusing on the technical characteristics of the new bridge, Coskunoglu said in his statement that the total cost of property condemnation for the bridge was 65 billion Turkish lira. He said that \$678 million will be spent on the Fatih Sultan Mehmet Bridge and the affiliated beltways and that \$120 million of that amount will be spent on the bridge alone. Coskunoglu added that the bridge project incorporates 150 overpasses and underpasses, 3 tunnels and 31 viaducts. [Text] [Istanbul MILLIYET in Turkish 6 Oct 86 p 9] 9588

CSO: 3554/64

## ARMED FORCES CHIEF: LAPLAND NEEDS BETTER AIR DEFENSE

Helsinki UUSI SUOMI in Finnish 4 Dec 86 p 11

[Article by Jukka Knuuti: "Armed Forces Chief Valtanen: 'Lapland's Air Defense Requires Point Defense Missiles'"]

[Text] According to Gen Jaakko Valtanen, commander of the Armed Forces, the lack of point defense missiles is one of the biggest shortcomings of Lapland's defense. The territory is located between military alliances and, therefore, a sensitive issue.

Currently, Finland's air defense is at its weakest in the altitude range of 2-10 km. Decisions on the acquisition of point defense missiles reaching this altitude have not been made.

Valtanen destroyed the myth of the 1980's as the decade of the land forces. It originated from the fact that in the 1970's hardly anything was done for the land forces. It received one fourth of the allocated funds while the acquisitions of the air force, at best, amounted up to 60 percent. Currently, the share of the army is one half and that of the air force one fourth.

But time is running out for the needs of the army. They lag 500 million [markkas] behind in the goals of the defense committees, and about 800 million [markkas] behind when considering the tasks of the armed forces.

Valtanen said that, currently, two thirds of the reserves could be equipped. One third would have relatively modern equipment. Part of the equipment for the second third would date to the last war but would be updated. As much as one third would receive rather questionable equipment.

According to the plans of parliamentary committees, over ten brigades were supposed to be equipped within 15 years. Now only a few are ready.

The commander's biggest concern is personnel carriers. Finland is the only country that uses farm tractors for troop transportation. The country's own car industry could deliver the required all-terrain vehicles and armored personnel carriers.

Valtanen used Bandvagn all-terrain vehicles as an example of the proportions. We aim at implementing the acquisition of 500 units. Sweden ordered 4000 in one lot, and Norway 3500.

#### Time Running Out in 1990's

Valtanen emphasized that in the 1990's time is running out for the land forces' acquisitions. By the middle of the decade, the interceptors will have flown their flights and funds will be needed for their overhaul.

By then the funds will be as much as to 2.5 billion [markkas] behind.

Unless something happens, he believes that a revision in the tasks of the armed forces has to be implemented some time in the 1990's. Is there, for example, any sense in general obligatory military service when the troops cannot be equipped. On the other hand, nobody wants to give up military service, either, said Valtanen.

#### Kilometers' Gap in Air Defense

The missiles available to Finland's air defense are air defense missile 78, i.e. SA-7, against low-flying targets, and air defense missile 79, i.e. SA-3, against high-flying targets. Both are Soviet made.

SA-7, which is shoulder-fired, has a range of a few kilometers and SA-3 operates against targets moving at the altitude of 10-25 km. For the remaining 2-10 km range there are reasonably few 35 and 57 mm batteries.

This is the gap for which Valtanen wants point defense missiles. Different alternatives have been studied but decisions on acquisition do not exist.

The list of name alternatives of eventual acquisitions remains long: Soviet SA-8, SA-9 or SA-13, Swedish RBS 70, French Crotale, American-Swiss ADATS or English Rapier.

The point defense missiles have been installed on carriages equipped with wheels or rollers.

12956  
CSO: 3617/36

## LIGACHEV VISIT REPORTAGE IN FINNISH, WEST EUROPE PRESS

Helsinki TIEDONANTAJA in Finnish 21 Nov 86 p 12

[Article by Seppo Iisalo: "HELSINGIN SANOMAT, Ligachev and West"]

[Text] The announcement made by Yegor Ligachev, who visited Finland last week, concerning the dismantling of medium-range missiles on the Kola Peninsula and partly in the military circles of the Baltic, has been received in a more objective manner elsewhere in the world than in Finland's number one conservative newspaper HELSINGIN SANOMAT.

Martti Valkonen, an editor of HELSINGIN SANOMAT, wrote in his newspaper that the measure taken by the Soviet Union is "a fly's sneeze" and "a peace bubble". Juha Harjula, researcher at the Institute of War Studies, kept up with him and reported that "the frame of reference of Ligachev's statement lies elsewhere than in the decrease of military performance." This, together with the statement by Max Jakobson disparaging the Soviet statement, was conveyed, among others by the foreign service of the Finnish Broadcasting Company, as a message to east and west.

Such negative tones were not even used in the North Atlantic Treaty Organization, NATO. Even though this, like other Soviet Union's peace initiatives, was not applauded in the Brussels headquarters of NATO, at least it was not rejected right away. In Brussels, a NATO representative said that before detailed statements can be issued, more information is needed on the measures by the Soviet Union.

The West German leading conservative newspaper, FRANKFURTER ALLGEMEINE ZEITUNG, did not pass its final judgement, even though it considered the military-political significance of Ligachev's announcement to be difficult to evaluate.

The government of Bonn did not take an official stand on the issue. On the other hand, West German peace forces have taken a very positive attitude towards it, which is also the case with the German Democratic Republic. The leading newspaper of GDR, NEUES DEUTSCHLAND, has presented Ligachev's initiative in detail:

the news agency ADN has partly reported about its reception in Finland.

The liberal-conservative West German newspaper SUDDEUTSCHE ZEITUNG noted the Soviet Union's announcement of the withdrawal of missiles impressively. Quoting American news agency AP and West-German DPA, it reported that besides SS-4 and SS-5 type missiles, also modern SS-20 missiles have been dismantled.

Martti Valkonen, editor of HELSINGIN SANOMAT, on his behalf, claimed that only obsolete SS-4 and SS-5 missiles were concerned. According to Valkonen, the Soviet Union's measure, therefore, was only "a politically smart move"--with this he meant a conjuring trick--which "made it possible to make a necessity into a virtue."

Such a simplified, anti-Soviet interpretation was not good enough for the West European military specialists. What happened to HELSINGIN SANOMAT was what has happened before, too; it proved to be more papal (read NATO-minded) than the Pope himself.

It is nothing new to Martti Valkonen personally, either; it was he who wrote at one time that the economy of the GDR is ready to collapse, at the same time as the West German conservative media reported that the economic growth in its neighboring country is higher than in the Federal Republic.

President Mauno Koivisto, Prime Minister Kalevi Sorsa and Foreign Minister Paavo Vayrynen commented on the announcement of the Soviet Union in a proper positive way, as Finland's national interest requires. Unfortunately, however, in the western media the opinions by Juha Harjula and HELSINGIN SANOMAT received more attention.

Therefore, to the disadvantage of Finland, an opinion was formed in the west, according to which Finland would have disparaged the peace proposals of the Soviet Union.

12056  
CSO: 3617/36

MILITARY

FINLAND

BRIEFS

SORSA, LAINE, RYZHKOV MEET IN TALLINN--On Friday next week, Prime Minister Kalevi Sorsa will meet Soviet Prime Minister Nikolai Ryzhkov in Estonia, at the inauguration festivities of the new grain harbor of Tallinn. Sorsa is prepared for extensive discussions with Ryzhkov during the festivities, concerning economic cooperation. Mrs Irene Sorsa and Foreign Trade Minister Jermu Laine will accompany Sorsa to the inauguration of the grain harbor which was built by Finns. The Soviet leadership will be represented in Tallinn, in addition to Ryzhkov, by Deputy Prime Minister Vladimir Kamentsev. In addition to the inauguration, there will be a lunch hosted by Ryzhkov and a friendship party in Tallinn. The Sorsas will return to Helsinki the same evening. Prime Minister Ryzhkov is coming on a visit to Finland at the beginning of January. The visit will probably begin on 6 Jan and last four days. During the following week, the Economic Commission of Finland and the Soviet Union will meet in Helsinki, with Deputy Prime Minister Kamentsev, among others, participating.  
[Text] [Helsinki HELSINGIN SANOMAT in Finnish 12 Dec 86 p 3]

12956

CSO: 3617/36

## U.S. BASES: CLOSE RELATIONSHIP BETWEEN DIKA, DECA

Athens TO VIMA in Greek 23 Nov 86 p 5

[Article by Giannis Kartalis]

[Excerpts] Besides the [government] scandals the other two subjects which occupied the public attention last week and added to the negative climate of the days were the Defense and Industrial Cooperation Agreement (DICA) and the Defense and Economic Cooperation Agreement (DECA), the two Greek-American agreements which fed the newspapers abundantly and also split their assessments. Some of them were sure the bases would be removed, while others (most) reported with certainty they would remain.

What is happening with the bases anyway, and what will their fate be? It is natural to raise this question since the bases' issue was discussed last week in Washington between Foreign Minister K. Papoulias and Secretary of State George Shultz.

Following these discussions, it is certain that the American side will make known its intentions within 1987 and it now remains to be seen what the substance of the new negotiations will be (and if Athens will of course accept it). These negotiations (if they finally take place) will either deal with the definite removal of the bases or with the finding of a new formula for keeping some of them but in a different context than the present one.

It should be noted that in 1975 it was decided to remove the American base at Ellinikon but that agreement was not implemented because in the meantime negotiations had begun encompassing all American bases in Greece. In any event, Athens refuses--and rightly so--to place its cards on the table and make known its intentions on the status of the bases.

What must be clearly understood is that for the Greek side the bases' issue is absolutely linked with overall development of our national affairs, from which much will depend, such as the issues of the Aegean and Cyprus. Much also will depend on development of the Ankara-Washington negotiations for a new Turkish-American defense agreement and especially if the threats by Deputy Defense Minister Perle about overarming Turkey and voiding the 7-to-10 ratio materialize.

In the meantime, announcement of the text of the new Greek-American DICA agreement, which was signed on 10 November, has created the plausible impression that the government intends to let the bases remain. The DICA agreement is in a way a child of DECA which was signed in 1983 and concerns the bases. DECA specifically provided (Article IX, Paragraph 6) for the signing of a new agreement for defensive and industrial cooperation between the two countries with a main objective of strengthening the Greek defensive industry. After many fluctuations and delays (for which the Greek side is also to blame) the agreement was signed on 10 November.

Therefore, the connection existing between DICA and DECA leads to the conclusion that no DICA can exist without DECA. This argument is strengthened also by the fact that DICA provides that "as soon as one of the contracting members gives notice about terminating the DECA agreement of 1983, then, 22 months after such notice, the DICA agreement can be terminated by either contracting member by giving a 30-day notice."

It should be noted that the 22-month period coincides with the time margin allowed for the removal of the bases following the written notice which must be given 5 months before the expiration of the DECA agreement and the 17-month period the Americans will have after the expiration of the agreement for removing the bases.

Of course, if this does not happen, the agreement provides that DICA will remain in force for an initial period of 5 years and "following the expiration of this 5-year initial period the agreement may remain in force for 5 more years." Theoretically, that is, the agreement is for 10 years!

Is this agreement by any chance a prejudication for the bases remaining even after 1988? Because what would be the meaning of a 10-year agreement signed in 1986 if such agreement must be terminated simultaneously with the DECA agreement (in 1988 in other words)? Unless the American side does not give the 30-day written notice (something very improbable) for terminating the agreement even if the Greek side has made known its wish to terminate DECA.

It is clear that no answer to this question can be given if Washington does not ask for a new agreement for the bases and if subsequently the Greek position is not made known.

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## PROMOTION, RETIREMENT CHANGES IN ARMED FORCES

Athens TO VIMA in Greek 30 Nov 86 p 23

[Article by Kh. Khasapopoulos]

[Excerpts] This is evaluation time in the Armed Forces. During this season (on the eve of St. Nicholas and St. Barbara festivities) of each year the Ministry of National Defense evaluates the service records of the officers and prepares with the utmost secrecy the total or partial renewal of the Armed Forces' leadership. It is a procedure which actually lasts for only 1 day but which can radically change the structure of the military leadership.

Each year at this time the generals are concerned. Will they remain in the Armed Forces; will they be promoted; or will they be retired having satisfactorily completed their careers? All those placed on the retired list always leave after "having satisfactorily completed their careers" and what they additionally earn, besides a good pension, is the title of "Honorary Chief," which in fact means nothing.

Moreover, no general is much concerned about the size of the pension he will be collecting. What really concerns him is whether he will remain in service or not. Unfortunately, most of the generals believe their retirement means that the political leadership is not pleased with their performance. But is that so?

Nowhere in the world are the officers evaluated for retirement or for promotion twice a year. Nowhere except in the Greek Armed Forces. Nowhere in Europe are the generals worrying during this season about being at their desks with their staff members when the new year arrives. Perhaps the only one worrying, together with the Greek generals, is NATO General Bernard Rogers (Commander of the Alliance's Southern Wing) whose term will end at the end of the year and whose reappointment is in the hands of President Reagan.

The officers are evaluated on the basis of a law which was written by junta General Od. Angelis. Law 178/69 on "ranks and promotions" is still valid notwithstanding the intentions of all those who served as ministers of defense since 1974 to change it. And this law provides "special and regular evaluations in the Armed Forces."

Every army conducts regular evaluations. Even the Turks have annual evaluations (each August) for promoting or retiring officers. But special evaluations nowhere exist or are sanctioned by law. Seldom is the chief of the general staff included in such evaluations.

Some months ago Deputy Premier and Defense Minister Kharalambopoulos announced that the junta law on promotions and ranks would be changed and that before the year was over he would introduce a bill in the Chamber of Deputies. The bill has not yet been introduced and, therefore, if the special evaluations are ordered, the officers will be evaluated according to the Angelis law.

What the new law will provide has not been made known, but it was learned that under the new law only deserving officers will be promoted without, however, influencing the status of the senior officers.

But according to extant law special evaluations can be conducted for "freeing the record of the officers," for facilitating, that is, certain officers to be promoted, "dragging along" with them their senior officers. But how much truth lies in the so-called "enclaving of records"?

As an example, let us consider the Navy whose chief, Vice Admiral Nikos Papas, has been in his present position 4-5 years now. He is not the first chief of a service who remained at the top position for so long. During the New Democracy government, Vice Admiral Konofaos, the then chief of the Naval General Staff, remained as chief for many more years without causing problems to the hierarchy.

As of this moment, the average age of the Navy captains is hardly 42 years and some of them have the same rank for 3 continuous years. The youngest captain is of the '64 class and the oldest of the '60 class.

The same is true with the Air force whose chief, Lt. General D. Apostolakis, has been in that position for 2 years. The average age of Air Force colonels is 45 years, while during the ND era the average age was 48 years for the Navy captains and 50 for the Air Force colonels. Yet, Lt. General D. Apostolakis has been chief less than 2 years and many are those who believe he will be replaced soon.

In the Army, things are different. But we should not forget that there were Army General Staff chiefs who remained in that position about a year (Lt. Generals Panagopoulos and Kourkafas) when they were replaced.

Therefore, special evaluations for facilitating the records (the Armed Forces lists) is perhaps a myth which certain senior officers probably are promulgating for reasons of promotion.

This year, however, things have changed. A few days ago Kharalambopoulos announced to reporters that he does not "exclude the possibility of conducting special evaluations" without, however, giving any details. This

is logical. He assumed the Ministry of Defense this year and it is logical for him to want to make some changes so he can apply his own policies. But no one is certain if such special evaluations will finally be conducted.

But they are probable this year. If they are finally decided they will be conducted the first 10 days of January. Most probably the Government Council for National Defense will convene to decide whether evaluations should be made or not as soon as the premier returns from London and Kharalambopoulos from Brussels (meeting of NATO ministers).

In any event, what is certain is that many surprises are expected from such evaluations. The replacement of Lt. Gen. Pentheroudakis, chief of the Army General Staff, by Lt. Gen. Ioannou (Army commander) or by Lt. Gen. Vellidis (Army Inspector), should not be ruled out. Also, the replacement should not be ruled out of Vice Admiral Papas (class of 1952) by Chief of the Fleet Vice Admiral A. Vasilikopoulos (class of 1954). In such a case either Rear Admiral Lymberis or Rear Admiral Katagas will become chief of the Fleet.

Also, the replacement of Chief of the Air Force General Staff Lt. Gen. D. Apostolakis by Lt. Gen. Stappas, chief of the Tactical Air Force Command, should not be ruled out. Finally, the retirement is probable of Generals V. Mathioudakis, Commander of the First Army Corps, E. Drakakis, deputy chief of the National Defense General Staff, Th. Spanoudakis, first deputy chief of the Army General Staff, and Pandazis, second deputy chief of the Army General Staff.

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## REJECTION OF MILITARY SALARY INCREASES PREDICTED

Lisbon EXPRESSO in Portuguese 29 Nov 86 pp 1, 24

[Text] The government is not prepared to accept the salary increase proposal made by Gen Lemos Ferreira, chief of the General Staff of the Armed Forces, which was recently submitted to the minister of national defense. It calls for increases averaging 30 percent in current military pay. The CEMGFA "demand" has been termed in some political circles "a gross provocation," and it was very poorly received by the cabinet headed by Cavaco Silva.

The proposal, vastly in excess of the percentage ceiling provided for government employees, which normally governs annual increases for the troops, urges parity (in terms of compensation) between the CEMGFA and the ministers, and on this basis establishes a table indexing the compensation paid for the various positions on a declining scale. There are cases, above all on the level of the rank of general, in which the increases proposed amount to 37 percent.

The table drafted by the office of the CEMGFA setting forth these "demands" is being passed from hand to hand in the various departments and barracks of the three branches of the armed forces. "There is practically no officer unfamiliar with it," a military source assured us.

Another informant also told us that Lemos Ferreira, contrary to what might have been expected, "allowed a leak" about the wage table in question, "possibly for the purpose of winning the support of the military institution, since the date for the appointment of the new CEMGFA is approaching."

"The general's conduct," this same source emphasized, "reflects in part an election-oriented attitude unprecedented in the armed forces, and a curious form of exerting pressure on the government."

In fact, military salaries have always been increased in preceding years on the basis of the percentages calculated for government employees, as, moreover, will happen once again. Therefore, Lemos Ferreira's proposal, presented at the precise moment when the Assembly of the Republic is debating the state budget and the limited funds allocated to the institution in general, and for the reequipping and modernization of the armed forces in particular, has received a very cool reception in political circles, and even

some military sectors. The latter regard the proposal as excessive, although it was based on the claim that the government eliminated a number of benefits enjoyed by the troops last year (specifically the issue of gasoline sales at lower prices than those prevailing at public stations).

"Lemos Ferreira," our informant commented, "chose a bad time for making a proposal of this nature and a poor target for winning the confidence of the institution in himself."

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END